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# ***JPRS Report***

## **Soviet Union**

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***Political Affairs***

***DRAFT FUNDAMENTALS OF CIVIL LEGISLATION***

## FBIS 50th Anniversary Note

To Our Consumers:

This year the Foreign Broadcast Information Service observes its 50th anniversary.

The service, first called the Foreign Broadcast Monitoring Service, was established in 1941 prior to the U.S. entry into World War II. At the time, a number of U.S. Government officials were concerned about the content of foreign radio broadcasts—a relatively new means of conveying information and propaganda across borders. On their advice, President Franklin D. Roosevelt in late February 1941 allotted money from his emergency fund to institute the recording, translating, transcribing, and analyzing of selected foreign broadcasts for the U.S. Government. During World War II the service demonstrated that monitoring was a fast, economical, and reliable way to follow overseas developments.

Today the Foreign Broadcast Information Service provides its consumers throughout the federal government, according to their diverse official interests, with information from a broad range of foreign public media. FBIS information also is available to readers outside of the government, through the National Technical Information Service. Objectivity, accuracy, and timeliness are our production watchwords.

We members of the current staff of FBIS extend our thanks to consumers for their interest in FBIS products. To past staffers we extend our thanks for helping the service reach this anniversary year. At the same time, we pledge our continued commitment to providing a useful information service.



R. W. Manners  
Director  
Foreign Broadcast Information Service

# Soviet Union

## Political Affairs

### DRAFT FUNDAMENTALS OF CIVIL LEGISLATION

JPRS-UPA-91-011

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*Moscow IZVESTIYA in Russian 21 Jan 91 Union Edition pp 2-5*

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### **Draft Fundamentals of Civil Legislation**

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[Draft prepared by USSR Supreme Soviet Legislation Committee: "Fundamentals of Civil Legislation"]

[Text] (This draft law is being published in accordance with a USSR Supreme Soviet Presidium Resolution of 18 January 1991.)

## **Section I: General Principles**

### **Chapter 1: Fundamental Principles**

#### **Article 1: Relations Regulated by Civil Legislation**

1. Civil legislation regulates commodity and monetary relations and other property relations based on equality among participants, as well as personal non-property relations connected with property.

2. In cases provided for by legislative acts protection for non-property rights not connected with property rights is carried out under civil legislation.

3. Civil legislation is applicable to family relations, labor relations and relations involving the use and protection of natural resources in cases where those relations are not regulated by corresponding family or labor legislation or legislation on the use and protection of natural resources.

4. Civil legislation is not applicable to property relations based on the administrative or other hierarchical subordination of one party to the other, including tax-related and other budgetary relations, with the exception of cases for which provision is made by law.

#### **Article 2: Civil Legislation of the USSR and Its Republics**

1. All relations listed in Article 1 of these Fundamentals are regulated by republic civil legislation in accordance with the present Fundamentals, with the exception of relations regulation of which is, in accordance with the Union Treaty, assigned to the USSR by the present Fundamentals, as well as relations which it is the duty of the USSR to regulate based on the USSR's international treaties.

2. USSR civil legislation regulates together with the present Fundamentals and in accordance with them:

- 1. the basic principles of the legal status of corporate bodies and citizens and the property belonging to them;
- 2. the legal status of all-union state property;
- 3. the issuance and circulation of securities;

—4. contractual and other obligations connected with entrepreneurial activity carried on in two or more republics;

—5. procedures and conditions for the distribution of and compliance with orders for production of goods, performance of work or rendering of services to meet all-union needs;

—6. relations of organizations engaged in rail, sea, air and trunk pipeline transportation, all-union communication and information systems, the unified USSR energy system and banks with their clients and among themselves;

—7. relations which originate in connection with the establishment, use and protection of inventions, industrial models, trademarks and other objects of industrial rights;

—8. fundamental principles of foreign economic activity; relations pertaining to foreign trade and other types of foreign economic activity involving use of all-union state property;

—9. application of the civil legislation of one republic within the territory of another republic;

—10. fundamental principles of the legal status of foreign corporate bodies and citizens and of the property belonging to them;

—11. application of foreign states' civil laws.

#### **Article 3: Sources of Civil Rights and Obligations**

Civil rights and obligations stem from the foundations set forth in legislation, as well as from the actions of citizens and corporate bodies, even if not intentional on their part, yet which as a result of the general principle and intent of civil legislation give rise to civil rights and obligations.

In accordance with this civil rights and obligations arise:

—from contracts and other transactions defined by law, as well as transactions not provided for in legislation yet which are not in violation of the law;

—from administrative acts when the issuance of such acts creates civil legal consequences by dint of legislation;

—as the result of the creation of works of science, literature and art, inventions, efficiency proposals and industrial models;

—as a result of damages caused to another individual, and likewise as the result of the acquisition or savings of property at the expense of another individual's resources without sufficient justification (unjustifiable enrichment);

—as a result of other actions by citizens and corporate bodies;

—as a result of events from which civil legal consequences ensue under law.

#### Article 4: Exercise of Civil Rights

1. Citizens and corporate bodies exercise independently the civil rights which they possess, including the right to defense of those rights.

2. The exercise of civil rights should not violate the rights and legally protected interests of other individuals.

When exercising their rights citizens and corporate bodies should respect the rules of business ethics and society's moral principles.

Civil rights are protected by law with the exception of those cases in which they are exercised in a fashion contrary to the intended purpose of those rights.

3. Illegal acts which cause harm to the interests of individuals carrying out analogous entrepreneurial activity and of consumers (unfair competition) are not permitted.

Specifically, unfair competition includes:

- illegal acquisition and unauthorized use or disclosure of confidential scientific-technical, production-related or trade information;
- dissemination of false information in advertising or other information regarding means and places of manufacture, the characteristics or quality of goods, their usefulness or the manufacturer of a product (specifically through unauthorized use of a trademark, company name or other identifying marks), as well as dissemination of incorrect information regarding analogous goods produced by other manufacturers or those manufacturers' activities;
- failure to disclose information of importance to consumers;
- other dishonest acts intended to force other individuals out of the market.

#### Article 5: Protection of Civil Rights

1. Protection of civil rights is carried out by a court, a commercial court or, with the consent of both parties, by an arbitration tribunal by means of: recognition of rights; restoration of the status existing prior to a violation of rights, and interdiction of actions which violate a right or threaten to violate it; sentences to perform practical obligations; termination or alteration of a legal relationship; and other means provided for in legislative acts.

2. A citizen, corporate body or state organ which violates the right of another person is obligated to provide full compensation for the losses suffered by that person, unless legislative acts stipulate otherwise.

Losses include expenses incurred by the person whose right was violated, loss of or damages to that person's property (real damages), as well as loss of income which that person would have received under normal operating conditions if the right in question had not been violated (lost benefit).

3. Parties to civil legal relations are assumed to be acting in good faith unless the contrary is proven.

4. If the commencement of legal consequences from a violation depends upon the guilt of the violator, the violator's guilt is assumed unless the contrary is proven, except in cases in which legislative acts stipulate otherwise.

#### Article 6: Protection of Honor, Dignity and Business Reputation

1. A citizen or corporate body has the right to demand in court a retraction of information which infringes upon honor, dignity or business reputation, if the person who disseminates such information is unable to prove that it is factual in nature.

2. If information which infringes upon the honor, dignity or business reputation of a citizen or corporate body is disseminated via the mass media it should be retracted in the mass media. Demands by citizens or corporate bodies that retractions be published are to be considered by a court in the event that a mass media organ refuses to perform such publication or does not do so within one month's time.

In the event that the aforementioned information is contained in a document originating with an organization said document must be replaced.

Procedures governing retractions under other circumstances are to be established by a court.

3. If a court order is not complied with the court has a right to levy a fine on the violator; the fine is to be treated as state revenue. Fines are to be levied in a manner and amount established by civil procedural legislation. Payment of a fine does not exempt a violator from the obligation of performing the action specified by a court order issued previously.

4. A citizen or corporate body regarding whom information damaging to honor, dignity or business reputation has been disseminated has a right to demand compensation for losses and moral damages caused by such dissemination in addition to retraction of the information.

5. If it is impossible to determine the person who disseminated information damaging to the honor, dignity or business reputation of a citizen or corporate body the person about whom such information was disseminated has the right to go to court and demand recognition that the information disseminated is untrue.

#### **Article 7: Application of One Republic's Civil Legislation in Another Republic**

The civil legislation of one republic is to be applied in another republic according to the following rules:

1. The competence of a person is determined by the laws of the republic of which that person is a citizen.

The competence of a person to conduct transactions and in regard to obligations which arise as a result of damages caused is determined by the legislation of the place where the transaction occurred or the damage was done, as appropriate;

the legal capacity of corporate bodies is to be determined by the legislation of the republic within whose territory the corporate body was established;

2. the legislation of the republic within whose territory the action or other circumstance which served as the basis for a demand that legally protected personal non-property rights be protected occurred is applicable to legally protected non-property rights;

3. relations which stem from the right to ownership will invoke the legislation of the place where the property is located; the right to own means of transportation subject to registration is to be defined by legislation at the place of registration;

4. The origin and termination of the right to ownership or any other material right to property is determined by the legislation of the republic within whose territory the property is located at the moment that an action or other circumstance occurred which served as the basis for the origin or termination of the right in question;

the origin and termination of the right to ownership or other material right to property which is the object of a transaction are to be determined by the legislation of the place where the transaction is concluded, unless otherwise stipulated by an agreement between the contracting parties;

5. the legislation of the place where a transaction is concluded is applicable to the form of the transaction; the form of transactions involving structures and other real estate is to be determined by the legislation of the republic within whose territory the property in question is located;

6. obligations stemming from a transaction are to be determined according to the legislation of the place where the transaction was concluded, unless otherwise stipulated by law or by the contracting parties;

7. the rights and obligations of parties in regard to obligations which arise as a result of damages caused are to be determined by the legislation of the republic where the action or other circumstance which served as the basis for a demand for compensation occurred. However, this legislation may not be applied if the action or other circumstance which served as the basis for a

demand for compensation is not illegal under the laws of the republic where the dispute is being heard;

8. relations involving inheritance are to be determined based on the legislation of the republic where the legacy is opened;

inheritance of buildings and other real estate is governed by the law of the republic within whose territory the property in question lies;

the capacity of a person to compose or revoke a will, as well as the form of the will and the act of revocation, are governed by the legislation of the republic where the testamentary held permanent residence at the time the will was drawn up. However, a will or its revocation cannot be judged invalid as the result of failure to comply with a form if the latter satisfies legal requirements in the place where the will was drawn up or the laws of the place where the dispute is being heard;

9. matters pertaining to statutes of limitations on suits are to be resolved in accordance with the legislative acts of the republic whose legislation regulates the relationship in question.

### **Chapter 2: Subjects of Civil Rights**

#### **Article 8: Legal Capacity and Competence of a Citizen**

1. The ability to possess civil rights and obligations (civil legal capacity) is recognized equally in regard to all citizens. A citizen's legal capacity originates at the moment of his or her birth and terminates at the time of death.

2. A citizen may: possess property based on the right to ownership; inherit property; engage in entrepreneurial activity or any other activity not forbidden by legislative acts; establish corporate bodies either independently or in conjunction with other citizens and organizations; conduct any transactions which are not forbidden by law and participate in obligations; select his or her place of residence; possess rights as the author of a work of science, literature or art, an invention or any other result of intellectual creativity; possess other property rights and personal non-property rights.

3. The ability of a citizen through his or her actions to acquire civil rights and create civil obligations for himself or herself (civil competence) originates fully with the onset of legal adulthood, i.e. at the age of 18. In cases where republic legislative acts permit a citizen to marry before the age of 18 a citizen who has not attained the age of 18 acquires full legal competence upon marriage.

The extent of competence of underage citizens, as well as cases of and procedures for restrictions on citizens' competence, are to be defined by legislative acts.

4. No one may be restricted in legal capacity.



Limitations on legal competence are not permitted except by court order in such cases and according to such procedures as are provided for in legislative acts.

Acts by organs of state authority and administration intended to restrict citizens' legal competence and which are in violation of USSR legislative acts are not legally valid.

Transactions intended to restrict legal capacity and competence are null and void.

#### **Article 9: Declaration of Citizens Missing or Legally Dead**

1. A citizen may be declared legally missing if no information is received at his or her place of permanent residence regarding his or her whereabouts for a period of one year.

2. A citizen may be declared legally dead if no information is received at his or her place of permanent residence regarding his or her whereabouts for a period of three years, or if the citizen has disappeared under life-threatening circumstance or circumstances which give reason to suppose that he or she has died of accidental causes and has remained missing for six months.

3. The consequences of declaring a citizen legally missing, as well as appearance of or discovery of the whereabouts of a citizen declared legally missing or legally dead are to be determined by republic legislative acts.

#### **Article 10: Definition of a Corporate Body**

1. A corporate body is defined as an organization which possesses separate property and is by the nature of its duties responsible for that property. Corporate bodies may have property rights and obligations and personal non-property rights and obligations.

A corporate body has an independent budget. It appears in civil commerce, in court, in commercial court or in an arbitration tribunal under its own name.

2. In regard to the separate property of a corporate body its founders (participants) may retain obligatory or material rights.

Corporate bodies over whose property participants retain obligatory rights are: commercial societies and partnerships; production-related and consumer cooperatives; collective enterprises, lease enterprises; and commercial associations of corporate bodies (commercial organizations).

Corporate bodies upon whose property their founders retain the right of ownership or other material rights are: enterprises founded on the basis of full commercial management, including subsidiary enterprises, as well as institutions financed by the property owner.

Corporate bodies upon whose property the founders (or participants) do not retain property rights are: public organizations; religious organizations; charitable and other funds.

#### **Article 11: Legal Capacity of a Corporate Body**

1. A corporate body may possess rights corresponding to the goals of the functions set forth in its founding documents and bears obligations connected with those functions. It has a right to conduct any type of activity which is not in violation of the aforementioned goals or the stipulations of legislative acts.

Certain types of activities, a list of which is to be established by legislative acts, may be engaged in by a corporate body only with special permission (licensing).

2. A corporate body may be restricted in its rights solely in such cases and according to such procedures as are provided for in legislative acts. A decision to restrict rights may be appealed by a corporate body in a court of law or commercial court.

#### **Article 12: Formation and Founding Documents of a Corporate Body**

1. The founders of a corporate body may be the owners of its property or their appointed organs or individuals.

2. A corporate body operates on the basis of both a charter and a founding contract, or a charter or a founding contract alone. In cases for which provision is made by legislative acts a corporate body may operate on the basis of a general statute concerning organizations of a certain type.

The founding contract of a corporate body is concluded by and a charter is approved by, the corporate body's founder.

The founding documents of a corporate body should define the name of the corporate body, its location, the goals of its operations and the composition and powers of the corporate body's organs, and should also contain other information provided for by legislation governing the type of corporate body in question.

3. A corporate body is subject to state registration with justice organs. Data from this state registration, including the firm's name, if one exists (see Article 137 of the present Fundamentals), are to be entered in a general state register of corporate bodies which will be part of the public record.

Refusal to grant state registration may be appealed in court.

A corporate body is regarded as established from the moment of its registration with the state.

### **Article 13: The Organs of a Corporate Body**

A corporate body acquires civil rights and accepts civil obligations through its organs, which function in accordance with legislation or founding documents.

Procedures for the appointment or election of a corporate body's organs are to be determined by its founding documents.

### **Article 14: Responsibility of a Corporate Body**

1. A corporate body is responsible to the full extent of property in its possession for all of its obligations.

A corporate body financed by an owner and which owns property based on the right of operational management (founding) is responsible in regard to obligations to the extent of the money in its possession. If that money is insufficient to fulfill the corporate body's responsibilities the owner of the property in question bears responsibility for the obligations.

2. The owner or founder of a corporate body is not responsible for its obligations, and the corporate body is not responsible for the obligations of the owner or founder, with the exception of cases provided for in the present Fundamentals, other USSR and republic legislative acts or the corporate body's founding documents.

### **Article 15: Reorganization of a Corporate Body**

Reorganization of a corporate body (merger, takeover, division or separation) is carried out by decision of the owner of its property or an organ authorized by the owner, as well as by decision of an organ empowered by the corporate body's founding documents. Legislation concerning individual types of corporate bodies may also state other grounds for reorganization.

### **Article 16: Liquidation of a Corporate Body**

1. A corporate body is liquidated:

—by decision of the owner or the owner's authorized organ, as well as by decision of an organ empowered by the corporate body's founding documents;

—by order of a court or commercial court in the event of bankruptcy (insolvency) or in the event of systematic activities which are not in accordance with the corporate body's goals, for which necessary permission has not been obtained, or which are forbidden by legislative acts;

—upon termination of the period of time for which the corporate body was created, or upon attainment of the goals for the purpose of which it was created.

2. Liquidation of a corporate body is carried out by a liquidation commission appointed by the organ which ordered liquidation.

The liquidation commission:

—announces the liquidation, allowing claimants a period of at least three months in which to apply;

—pays claims with the property which remains at the end of this period to claimants who have applied within the liquidation period.

During liquidation of a corporate body there occurs capitalization of periodic payments owed by the corporate body in connection with its liability for damage to citizens' life or health.

If necessary the liquidation commission may sell the corporate body's property and use the proceeds to pay creditors' claims.

The property which remains after all claims have been settled is turned over to the owner, the participants in business societies or partnerships or cooperative members; if there are no such individuals the property is applied to purposes specified in the founding documents.

Claims which cannot be paid due to inadequate property, as well as those which are not filed by the end of the liquidation period, are regarded as null and void.

Liquidation of a corporate body is regarded as complete and the corporate body is considered to have ceased to exist following the entering of a note to this effect in the state register of corporate bodies.

### **Article 17: Commercial and Non-Commercial Organizations**

1. Corporate bodies may be organizations which strive to obtain profits as the primary goal of their operations (commercial organizations) or which do not have the making of profits as one of their goals (non-commercial organizations).

2. Corporate bodies which are commercial organizations may be established in the form of business societies and partnerships; production cooperatives; collective enterprises; enterprises founded on the right of full commercial management of the property transferred to them by the founders; lease enterprises; and commercial associations of the aforementioned corporate bodies.

3. Corporate bodies which are non-commercial organizations may be established in the form of public or religious organizations; consumer cooperatives; charitable and other funds; and institutions financed by a property owner.

Non-commercial organizations may engage in commercial activity only to the extent necessary to ensure performance of their charter-mandated tasks.

### **Article 18: Business Societies and Partnerships**

1. Business societies and partnerships include: full partnerships; limited partnerships (including stock-issuing limited partnerships); societies with limited or supplementary responsibility; stock companies.



2. A full partnership is a partnership, the participants in which engage in commercial activity on behalf of the partnership on the basis of a contract between them; in the event of insufficient funds in the partnership the participants bear group responsibility for its obligations to the full extent of property owned by them.

3. Limited partnerships are partnerships in which in addition to one or more participants who engage in commercial activity on behalf of the partnership and bear responsibility for its obligations to the full extent of property owned by them (full partners) also has one or more participants (limited partners or investors) who suffer losses in connection with the partnership's activities to the extent of their investment in the partnership. Stock may be issued in the sum of limited partners' investments (stock-issuing limited partnership).

4. A society with limited responsibility is a partnership whose charter fund is divided into shares, the size of which is determined by founding documents. Participants in the society suffer losses connected with the partnership's activities to the extent of the sums invested by them.

5. A society with supplementary liability is a partnership whose charter fund is divided into shares, the size of which is determined by founding documents. In the event of insufficient property in the partnership the participants therein are liable for its obligations in an equal division of the sum of investments by all participants.

6. A stock company is a partnership whose charter fund is divided into a certain number of stock shares of an equal face value; this partnership is liable for obligations only to the extent of its property. Participants in a stock company (shareholders) suffer losses resulting from the partnership's activities only to the extent of the number of shares held by them.

7. The legal status of individual types of business societies and partnerships is determined by legislative acts regarding business societies and partnerships.

#### **Article 19: Production Cooperatives**

1. A production cooperative is a voluntary membership association of citizens established for the purpose of conducting joint commercial activity by pooling participants' property. In the event of insufficient property on the part of the production cooperative its members are additionally liable with their own property for the cooperative's obligations to an extent not less than that established by legislative acts.

The legal status of individual types of production cooperatives is determined by legislative acts regarding cooperatives.

#### **Article 20: Lease and Collective Enterprises**

1. A lease enterprise is an enterprise which conducts commercial activity on the basis of a leased property complex.

2. Collective enterprises are associations of an enterprise's workers which conduct commercial activity on the basis of the property owned by their enterprise.

3. All property owned by a lease or collective enterprise is divided by the investment of all their workers.

4. The legal status of lease and collective enterprises is determined by legislative acts regarding leasing of enterprises and legislative acts regarding collective enterprises, respectively.

#### **Article 21: Enterprises Founded on the Right of Full Commercial Management**

Enterprises founded on the right of full commercial management are enterprises whose property belongs to another individual or state and has been placed under the control of those enterprises for the purpose of conducting independent commercial activity in accordance with Article 43 of the present Fundamentals. Investments by such enterprises' workers may represent a separate part of their property.

The legal status of enterprises founded on the right of full commercial administration is determined by legislative acts regarding enterprises.

#### **Article 22: Commercial Associations**

1. A commercial association [obyedinyeniye] is a voluntary association of corporate bodies—business societies and partnerships, production cooperatives, and lease, collective and other enterprises—established by them by sector, region or other division in order to coordinate operations, ensure protection for members' rights and represent common interests before state and other organs, as well as in international organizations. With the consent of the participants the association may be empowered to perform production-related, commercial and other functions in a centralized manner. Participants in the association retain their independence and rights as corporate bodies.

2. Commercial associations may be established by their participants in the form of business associations [assotsiyatsii] (unions) and concerns.

3. The legal status of individual types of commercial association is determined by legislative acts.

#### **Article 23: Subsidiary Enterprises**

1. Subsidiary enterprises are enterprises established by another enterprises as corporate bodies by means of the transfer to them of a portion of the original enterprise's property under terms of full commercial management.

The founder approves a charter for the subsidiary enterprise, appoints its head and exercises other owner's rights in regard to the subsidiary enterprise as provided for by legislative acts on enterprises.

2. The founder is not responsible for the subsidiary enterprise's debts. Creditors' claims in regard to the founder's debts on property transferred by the founder to a subsidiary enterprises are permissible upon liquidation of the subsidiary enterprise and after payment of creditors' claims against it.

#### **Article 24: Branches and Representations**

1. A branch is a separate subunit of a corporate body which is located outside the place where the corporate body is located and performs all or part of its functions.

A representation is a separate subunit of a corporate body which is located outside the place where the corporate body is located and carries out protection and representation of the corporate body's interests, conducting transactions and other legal actions on the corporate body's behalf.

Branches and representations must be listed in the charter of a corporate body.

2. Branches and representations are not corporate bodies. Property is allocated to them by the corporate body which founded them, and they operate on the basis of a statute approved by that body.

The administrators of branches and representations are appointed by the corporate body and operate on the basis of authorization granted to them.

#### **Article 25: Participation by the State in Civil Legal Relations**

1. The state participates in relations regulated by civil legislation on a par with the other participants in those relations.

2. Organs for the management of state property, financial organs and other specially authorized organs of the USSR or the republics participate on behalf of the USSR or a republic in relations regulated by civil legislation.

3. The state is liable with state treasury funds to cover its civil legal obligations with regard to the property owned by it.

### **Chapter 3: Transactions**

#### **Article 26: Definition, Types and Forms of Transactions**

1. Transactions are defined as actions by citizens and corporate bodies intended to establish, alter or terminate civil rights or obligations.

Transactions may be unilateral, bilateral or multilateral (contracts).

2. A transaction for which the law has not established a written (simple or notarial) or other specific form may be concluded orally. Such a transaction is considered complete if the behavior of a person indicates that person's willingness to conclude said transaction.

3. Silence is recognized as an expression of willingness to conclude a transaction in certain cases defined by law.

#### **Article 27: Conclusion of Transactions by a Representative**

A transaction on behalf of and in the interests of one person (the represented) may be concluded by another person (the representative) on the basis of authorization expressed in a proxy statement, administrative act or legislation, or implicit in the situation in which the representative acts. Rights and obligations in connection with a transaction concluded by a representative fall directly upon the represented.

#### **Article 28: Invalid Transactions and the Consequences of Their Invalidity**

1. A transaction which does not comply with the stipulations of legislative acts is invalid.

2. Failure to comply with the form required by law will invalidate a transaction only if this consequence is plainly stipulated by law. Failure to comply with proper forms in foreign trade transactions and procedures for the signing of those forms will result in invalidation of such transactions.

3. If a transaction become invalid each party is required to return to the other party all that was received in the transaction, and if it is impossible to return what was received in kind, then compensation for its value is to be made in money, unless other consequences of invalidation of the transaction are prescribed by legislative acts.

4. General requirements pertaining to the participants in a transaction, the means of expressing their will, the content of their will and other circumstances are defined by republic legislation, which also establishes the grounds for and consequences of invalidation of a transaction.

### **Chapter 4: Securities**

#### **Article 29: Definition of Securities**

1. A security is defined as a document which attests to a property right which can be exercised solely upon presentation of that genuine document.

The right attested to by a security may be transferred to another person solely by transfer of the security itself.

Securities include bonds, stocks, checks, promissory notes, bills of lading and other documents of the indicated nature.

2. Securities may be made out for presentation, to order or to a specific name.

3. A security should contain the essential elements prescribed by law. Absence of these essential elements invalidates the security.

4. The procedures and conditions for issue and circulation of securities are to be established by USSR legislation.

#### **Article 30: Conditions for Performance of Obligations Expressed in a Security**

1. Refusal to perform obligations expressed in a security based on the alleged groundlessness of the obligation or its lack of validity is not permitted.

A bearer who discovers that a security has been altered or is a facsimile has a right to return the security to the person who transferred it to the bearer and demand appropriate performance of the obligations expressed in the security, as well as compensation for losses.

2. Refusal to perform the obligations expressed in a security is possible if it can be proven that the security was improperly obtained by its bearer.

#### **Article 31: Bonds**

Bonds are defined as a security which attests to its bearer's right to receive from the issuer of the bond after a period of time noted on the bond its face value or other property equivalent. A bond also gives its bearer the right to receive a percentage of the face value noted on the bond or other property rights.

#### **Article 32: Checks**

A check is defined as a security which contains an unconditional written instruction from the check's issuer to a bank or other credit institution to pay the bearer of the check the sum indicated therein.

A check should be presented for payment within a period of time established by law, not to exceed 10 days from the check's date of issue.

#### **Article 33: Promissory Notes**

A promissory note is defined as security which attests to an unconditional obligation of the issuer (simple promissory note) or other payer indicated in the promissory note (transferrable promissory note) to pay a certain sum indicated in the promissory note to the bearer (holder of the promissory note) on a specific date.

#### **Article 34: Stocks**

A stock is defined as a security which attests to the right of its bearer (the shareholder) to receive a portion of the profits from a stock company in the form of dividends, to participate in the management of the stock company's affairs and to receive a portion of the stock company's remaining property following its liquidation.

Stocks may be payable either to the bearer or to a specific individual.

1. A stock company has the right to issue privileged shares in quantities established by legislation; these stocks guarantee that the bearer will receive dividends at a fixed percentage of the stock's face value regardless of the results of the stock company's commercial activities, and also gives the bearer a priority right over other shareholder to receive a portion of the stock company's property which remains following liquidation of the stock company.

Privileged shares do not give their bearers the right to participate in the management of the stock company's affairs, unless otherwise stipulated in the company charter.

### **Chapter 5: Calculation of Time Limits; Statute of Limitations on Suits**

#### **Article 35: Definition of a Time Limit**

A time limit as established by law or a transaction or decreed by a court, commercial court or arbitration tribunal is defined as a calendar date or the end of a period of time which is calculated in years, months, weeks, days and hours.

A time limit may also be determined by reference to an event which must inevitably occur.

#### **Article 36: Beginning and End of a Time Limit**

1. A time limit begins on the next day after the calendar date or event which defines its start.

2. If the end of a time limit falls in a month which has no date corresponding to its beginning, then the time limit expires on the last day of the month.

#### **Article 37: Procedures for Completing Actions on the Final Day of a Time Limit**

1. If a time limit has been established for the completion of some action the action may be performed until midnight on the last day of the time limit.

However, if the action is supposed to be performed at an organization, then the time limit expires at the time when that organization terminates the operations in question according to its established rules.

2. All written statements and notices mailed, telegraphed or transmitted by other means of communication before midnight on the last day of the time limit are regarded as falling within the time limit.

#### **Article 38: Statute of Limitations on Suits**

1. The general time limit on filing suits in defense of the rights of a person whose rights have been violated (statute of limitations on suits) is three years.

2. More restrictive statutes of limitations may be established by USSR legislative acts for individual types of

grievances stemming from relations, regulation of which falls under USSR jurisdiction, and by republic legislative acts for other grievances.

3. The statute of limitations on suits is reckoned from the moment of the violation of rights which forms the basis for the suit, unless otherwise stipulated by law. In regard to obligations which are to be performed within a specific time limit the statute of limitations is reckoned from the start of the time period for performance of those obligations. In regard to obligations with no specified time limits the statute of limitations on suits is reckoned beginning at the time when a request for performance of the obligation was made.

The grounds for suspension or interruption of statutes of limitations on suits are to be defined by legislative acts.

#### **Article 39: Application of the Statute of Limitations on Suits**

1. The statute of limitations on suits is applied by a court, commercial court or arbitration tribunal solely at the request of one party in a dispute.

If the court, commercial court or arbitration tribunal acknowledges the validity of a reason for exceeding the statute of limitations on suits the right which was violated is still subject to protection.

2. The statute of limitations on suits does not extend:

- to claims stemming from violation of personal non-property rights, except in cases defined by legislative acts
- to claims by depositors regarding payment of deposits made in banks and other lending institutions;
- in cases defined by legislative acts; and to other claims

### **Section II: The Right to Ownership and Other Material Rights**

#### **Chapter 6: General Principles**

##### **Article 40: Subjects of the Right to Ownership**

1. Property may be owned by citizens, corporate bodies and the state.

The rules in the present Fundamentals regarding state property are to be applied as appropriate to the property of national state formations and territorial administrative divisions, unless otherwise stipulated by legislative acts.

2. Restrictions or advantages to the owner depending upon whether the property belongs to a citizen, a corporate body or the state, including restrictions on the range of objects of the right to property, may be established only in cases provided for by legislative acts.

The rights of all property owners receive equal protection.

##### **Article 41: Rights and Obligations of a Property Owner**

1. A property owner possesses the rights to own, use and dispose of property. A property owner may at his own discretion use property for entrepreneurial or any other activities not forbidden by legislative acts. The property owner has a right to perform any actions in regard to his property which are not contrary to law, including transferring authorization to own, use or dispose of the property to other persons, using it as collateral or otherwise encumbering it, turning it over to management by others, selling it or disposing of it in any other manner.

2. A property owner bears the burden of maintaining the property belonging to him and the risk of its accidental loss, unless otherwise stipulated by legislative acts or a contract between the property owner and another person.

3. A property owner is obligated to take steps to prevent harm to the health of citizens and the environment which could be caused by the exercise of his rights. The property owner should refrain from behavior which would disturb his neighbors or other persons.

4. In certain cases, circumstances and bounds defined by legislative acts a property owner is obligated to permit limited use of his property by other persons.

##### **Article 42: Common Property**

1. Property may be owned in common by two or more owners, with each holding a specified share of the right to property (shared property), and in certain cases defined by legislative acts may be owned without specified proportions of ownership (joint property).

Associations based on common shared ownership of property belonging to citizens, corporate bodies and the state are permitted.

2. The ownership, use or disposition of common shared property is carried out on the basis of an agreement between all participants, or if agreement is not reached, according to procedures to be established by a court or commercial court at the request of any one of the participants.

3. A participant in common shared property has the right to withdraw his or her share, and a participant in common joint property has the right to define and withdrawn his or her share. The right to demand withdrawal of a share also belongs to the creditor of a participant in common property ownership. Procedures for defining and withdrawing a share are to be established by legislative acts.

4. When a share of common property is sold to an outside person the remaining participants in the common shared property arrangement have the first option to buy the share being sold at its selling price and

on a par with others, except in the event that the share is being sold at public auction.

#### **Article 43: The Right to Full Commercial Management**

A property owner may transfer his or her property to the full commercial management of an enterprise established by the property owner.

The enterprise to which the property has been transferred based on the right to full commercial management is a corporate body and fulfills the rights and obligations connected with the property owner's property, unless otherwise stipulated by USSR legislative acts.

A property owner or persons so authorized by the property owner resolve matters pertaining to the establishment of an enterprise, determine the goals of its operations, handle its reorganization and liquidation and ensure effective utilization and preservation of the property entrusted to the enterprise in accordance with legislation and the enterprise's founding documents.

A property owner has the right to a portion of the profits from the use of property in an enterprise created by the property owner.

#### **Article 44: The Right to Operational Management**

A property owner may transfer his or her property to operational management by an institution created by the property owner and financed with the property owner's funds. Such an institution constitutes a corporate body and exercises, within the bounds established by legislative acts and in accordance with the goals of its operations, the property owner's instructions and the purpose of the property, the rights of possession, use and disposal of said property.

The owner of property placed under the control of an institution has the right to confiscate that property or redistribute it to other corporate bodies created by the property owner at the property owner's discretion and in accordance with legislation.

Institutions conducting commercial activities permitted them by the property owner have a right to dispose independently of income from such activities and use that income to acquire property. The aforementioned income and property belong to the institution based on the right of full commercial management.

#### **Article 45: Rights to Parcels of Land and Other Natural Objects**

1. Parcels of land are granted to citizens as inheritable possessions for their lifetime, or for use for purposes of agricultural production, including use as a private farm plot, or for the erection and use of domiciles and other structures based on the right to ownership, and also to fulfill other needs defined by legislative acts.

Republic legislative acts may make provision for granting parcels of land to citizens as property.

2. Parcels of land and other natural objects are granted to corporate bodies as possessions or for use.

3. The conditions and procedures governing the granting of parcels of land and other natural objects, as well as the rights and obligations of the persons to whom they are granted, are to be defined by legislation on the use and protection of natural resources.

#### **Article 46: Acquisition of the Right to Ownership**

1. A property owner owns the results of commercial or other use of his or her property, including produce, fruits and other income, unless otherwise stipulated by legislative acts or a contract between the property owner and another person.

2. The right to ownership of a person receiving property on the basis of a contract originates at the moment when the property is transferred, unless otherwise stipulated by law or contract.

Transfer is defined as the giving of items to the receiver, as well as the turning over of items to a transportation organization for shipment to the receiver or mailing to the receiver of items alienated without obligation of delivery. The turning over of a bill of lading or other document governing the disposition of items is also a form of transfer.

If a contract regarding alienation of property is subject to state registration or notarization, the receiver's property right originates at the moment the contract is registered and approved, or if it is necessary to receive notarization and state registration at the moment of the contract's registration.

3. A citizen or corporate body that is not a property owner yet has in good faith, openly and continuously possessed real estate as owner for a period of not less than 15 years or other property for a period of not less than five years acquires an ownership right to the property, if in the course of the aforementioned periods no other persons demand recognition of their rights to that property.

#### **Article 47: Citizens' Property Rights**

1. A citizen may own the following on the basis of property rights:

- houses, apartments, dachas, garden houses, garages, household items and personal-use items;
- money, shares of stock, bonds and other securities;
- enterprises and property complexes in the realm of goods production, consumer services, trade and other commercial activities, buildings, facilities, equipment, vehicles and other means of production;
- any other property used for consumption or production purposes, except for certain types of property which in accordance with legislative acts may not belong to citizens.



There is no limit on the composition, quantity or value of property acquired by a citizen by legal means.

2. A member of a housing, housing construction, dacha or garage cooperative, gardening association or other cooperative who has paid in full his or her contribution for an apartment, dacha, garden house, garage or other room or structure granted to that person for use acquires property rights over that property.

A citizen who under contract with a property owner or in the capacity of the property owner's heir has acquired these structures or rooms as property is to be accepted as a member of the cooperative in question based on application by the citizen.

3. A housing tenant in a building belonging to state or public housing and members of the tenant's family have a right to acquire their apartment or house as private property through purchase or on other grounds provided for in legislation on privatization.

4. A citizen is liable in terms of his or her obligations for property belonging to him on the basis of property rights.

A list of citizens' property which may not be the subject of creditors' claims is to be drawn up in republic legislative acts.

#### **Article 48: Corporate Bodies' Property Rights**

Business societies and partnerships, cooperatives, lease and collective enterprises, commercial associations, public and religious organizations and charitable and other funds which constitute corporate bodies are in accordance with their charters owners of property transferred to them by their founder (participants, members), as well as property obtained through their own entrepreneurial activities and by other means not in violation of the law.

#### **Article 49: The State's Property Rights**

1. The state may own any property required for the performance of its functions as outlined in the Union Treaty and the Constitution.

2. Property owned by the state may be placed under the full commercial management or operational management of state corporate bodies for the purpose of performing state functions.

Funds from the state budget and other state property which is not under the control of state enterprises and institutions comprises the state treasury of the USSR or the republics, respectively.

3. State property is created out of revenue received by the appropriate budget from taxes and other mandatory payments, a portion of payments for the use of land and other natural resources, a portion of the profits from state enterprises, income from the issue of securities and dividends on securities, and other revenues from sources for which provision is made in legislative acts.

4. The USSR is not liable for the obligations of the republics, national-state formations and territorial administrative divisions which comprise it, and the republics, national-state formations and territorial administrative divisions are not liable for the obligations of the USSR and obligations of one republic to another.

### **Chapter 7: Protection for the Right to Ownership and Other Material Rights**

#### **Article 50: Basic Principles of Protection of the Right to Ownership**

1. A property owner has the right to remove his or her property from unlawful possession by another. If the property was acquired for compensation from a person who had no right to alienate it and the receiver was not aware of this and should not have been aware (a good-faith receiver), then the property owner has the right to remove his or her property from the receiver in the event that when the property was lost by the property owner or a person into whose possession the property had been transferred, or else stolen from one or the other, or else removed from their possession by other means against their will. Money and securities payable to the bearer upon demand may not be reclaimed from a good-faith receiver.

2. A property owner may demand elimination of all violations of his or her rights, even if those violations do not involve deprivation of property.

#### **Article 51: Protection for a Property Owner's Interests During Termination of the Property Owner's Rights on Grounds Provided for by Law**

1. In the event that the USSR or a republic passes legislative acts which terminate a right to property the losses incurred by property owners as a result of the passage of those acts are to be reimbursed to the property owner in full at his or her request by the USSR or the appropriate republic. Disputes concerning compensation for losses are to be resolved in court.

2. Seizure of property from a property owner by the state is permitted only if a lien on this property in connection with the property owner's obligations is made under circumstances and procedures provided for in legislative acts, and also in cases of requisition and confiscation.

In the event of natural disasters, accidents, epidemics, epizootics and other circumstances of an extreme nature property may by decision of state organs of authority be seized from a property owner in the public interest and according to procedures and circumstances established by legislative acts, with payment made for the cost of the property (i.e. requisition).

In cases provided for in legislative acts property may be seized from a property owner without compensation by order of a court, commercial court or other authorized

state organ (or official) as a sanction imposed for the commission of a crime or other violation of the law (i.e. confiscation).

3. Termination of the right to ownership in connection with a decision by a state organ which is not directly concerned with expropriation of property from a property owner, including a decision to expropriate a parcel of land upon which a house or other structures belonging to a property owner are located, is permitted only in cases and according to procedures defined by legislative acts; the property owner is to be given property of equal value or fully compensated for losses incurred as a result of termination of the right to ownership. If a property owner disagrees with a decision resulting in termination of a right to ownership that decision may not be implemented prior to resolution of the dispute by a court or commercial court. All matters pertaining to losses incurred by the property owner should also be resolved in the course of the court's consideration of the case.

#### **Article 52: Invalidity of Acts Which Violate Property Owners' Rights**

If as the result of the promulgation of an illegal act by an organ of state administration or local organ of state authority a property owner's rights to own, use and dispose of property belonging to the property owner are violated the act in question is regarded as invalid upon filing of suit by the property owner.

Losses incurred by a property owner as a result of promulgation of the aforementioned acts are subject to compensation in full out of budget funds possessed by the organ of authority or administration in question.

#### **Article 53: Protection for the Material Rights of Persons Who Are Not Property Owners**

The rights provided for in Articles 50-52 of the present Fundamentals also belong to a person who is not a property owner yet possesses property based on the right of full commercial management, operational management, lifetime hereditary possession or other grounds provided for by law or contract. That person has a right to protection of his or her property against the property owner as well.

### **Section III: Obligatory Law**

#### **Chapter 8: General Principles Regarding Obligations**

##### **Article 54: Obligations and the Performance Thereof**

1. On the basis of an obligation one person (the debtor) is required to perform for the benefit of another person (the creditor) a specific action, e.g. transfer property, perform work, pay money, etc. or refrain from a specific action, and the creditor has the right to demand performance of obligations by the debtor.

Obligations arise from contracts or on other grounds listed in Article 3 of the present Fundamentals.

2. Obligations should be performed in an appropriate manner within a specified time limit in accordance with the conditions of a contract or requirements of the law, or in the absence of such conditions and requirements in accordance with customarily applied requirements.

Unilateral refusal to perform obligations and unilateral alteration of the conditions of a contract are not permitted, with the exception of cases provided for by contract or legislation.

##### **Article 55: Concluding a Contract**

1. A contract is regarded as concluded when agreement has been reached on all the essential terms of the contract by the contracting parties in the form applicable to such cases. Essential terms are those conditions of a contract which are recognized as such by legislation or which are necessary to the contract in a given form, as well as all the conditions in regard to which an agreement must be reached at the demand of one of the parties.

If the present Fundamentals or other legislative acts require a transfer of property to conclude a contract, then the contract is regarded as concluded from the moment when the contracting parties agree on essential terms and transfer the property in question.

2. If the parties have agreed to conclude a contract in a certain form it is regarded as concluded from the moment when it is given the form specified, even if that form is not required by law for the type of contract in question.

If under the law or an agreement between the parties a contract must be concluded in writing it may be concluded either by drawing up a single document to be signed by both parties, or by sending letters, teletype transmissions, telegrams, facsimiles, etc., signed by the party sending them.

3. When a proposal to conclude a contract is made with indication of a deadline for response the contract is regarded as concluded if the person making the proposal has received a reply from the other party accepting the proposal before the specified deadline.

4. When a proposal to conclude a contract has been made orally without indication of a deadline for response the contract is regarded as concluded when the person making the proposal has received an immediate statement from the other party accepting the proposal.

When such a proposal is made in written form the contract is regarded as concluded if a response has been received within the period of time normally required to do so.

5. If it is clear from a response on concluding a contract which was received late that the reply was dispatched in a timely manner it will be regarded as late only in the

event that the person making the proposal immediately informs the other party that the response has been received late. In this case the reply received late is regarded as a new proposal to conclude a contract.

6. A reply indicating agreement to a contract on other terms than those proposed is regarded as refusal of the original proposal and simultaneously constitutes a new contract proposal.

7. Disputes which arise between parties in the process of concluding a contract may be considered by a court, commercial court or arbitration tribunal if so stipulated by an agreement between the parties or by legislation. In this case the regulations in point 6 of the present article do not apply.

8. Special rules governing contracts concluded at exchanges, auctions and wholesale trade fairs are to be defined in special legislation.

#### **Article 56: Preliminary Contracts**

1. In a preliminary contract the contracting parties obligate themselves at some point in the future to conclude a contract regarding transfer of goods, performance of work or rendering of services under terms outlined in the preliminary contract. Procedures for agreeing on the essential terms of future contracts not outlined in a preliminary contract, if such procedures are not set forth in legislation, are to be defined by the parties in the preliminary contract.

A preliminary contract must be concluded in writing.

2. If a party to a preliminary contract refuses to conclude the contract cited therein the other party has a right to sue in a court or commercial court and demand that the other party be compelled to conclude the contract in question. A party which has refused to conclude a contract as stipulated in a preliminary contract without proper justification must compensate the other party for losses caused by delay in concluding the aforementioned contract, unless otherwise stipulated by law.

#### **Article 57: Contracts for the Benefit of Third Parties**

Compliance with a contract for the benefit of a third party may be demanded both by the person who concluded the contract and by the third party for whose benefit compliance is intended, unless otherwise stipulated by law or contract or otherwise necessitated by the nature of the obligation.

In the event that a third party has renounced a right granted to that party by a contract the person who concluded the contract may exercise that right unless to do so would be a violation of the law, a contract or the nature of an obligation.

#### **Article 58: Performance of an Obligation to a Third Party**

In cases provided for by law or contract a contractual obligation must be performed for a third party.

If the third party refuses to accept performance in accordance with contract or refuses to pay performance must be accepted and paid for by the creditor.

#### **Article 59: Imposition of Requirement to Perform an Obligation on a Third Party**

1. Performance of an obligation arising from a contract can be imposed in whole or in part on a third party if so stipulated by law, or likewise if the third party is bound to one of the contracting parties by an appropriate contract.

2. If the law, a contract or the nature of an obligation does not create the obligation for the debtor to perform an obligation personally, the creditor is obligated to accept performance offered on behalf of the debtor by a third party.

3. In cases provided for in the present article responsibility for failure to perform or unsatisfactory performance of an obligation is borne by the contracting party from which the failure stemmed, unless the law requires that responsibility be borne directly by the person performing the obligation.

#### **Article 60: Time Limit and Place for Performance of an Obligation; Currency Used in Money Obligations**

1. The debtor has a right to perform an obligation within a time limit, unless otherwise stipulated by law, contract or the nature of the obligation.

2. If a time limit for performance of an obligation has not been set or a time of demand established the creditor has a right to demand performance, but the debtor has the right to perform the obligation at any time.

The debtor is obligated to perform an obligation of this nature within seven days from the date of the creditor's demand, unless fulfillment of the obligation on a different schedule is required by law, contract, the nature of the obligation or accepted business practice.

3. If the place of performance is not specified by law or contract and is not clear from the nature of the obligation or accepted business practice, performance of the obligation should take place:

—1. in regard to a transfer of real estate at the place where the property in question is located;

—2. in regard to a monetary obligation at the creditor's place of residence at the obligation's moment of origin or, if the creditor is a corporate body, at the place where that corporate body was located at the obligation's moment of origin; if the creditor has changed place of residence since the origin of the obligation and has so informed the debtor performance shall take

place at the creditor's new place of residence or location, with the creditor to pay for all expenses incurred as a result of the change of location;

—3. in regard to all other obligations at the debtor's place of residence or, if the debtor is a corporate body, at that corporate body's location.

4. In the absence of a creditor, as well as in the event of a creditor's refusal to accept performance or other postponement on the creditor's part, the debtor in a monetary obligation or obligation to transfer securities has the right to deposit the money or securities at the office of a notary, who shall duly inform the creditor.

The act of depositing a sum of money or securities at the office of a notary is regarded as performance of the obligation.

5. Monetary obligations should be expressed and paid in Soviet currency, i.e. rubles. Expression and payment of monetary obligations in foreign currency is permitted in cases and by procedures set forth in USSR legislation.

#### Article 61: Joint Obligations

1. A joint obligation or joint requirement originates if this is stipulated by contract or established by legislative acts, specifically when the object of an obligation is indivisible.

2. In a joint obligation the creditor has a right to demand performance from all debtors jointly the same as from any one of them separately. A creditor who does not receive full satisfaction from one of the joint debtors has the right to demand the difference from the remaining joint debtors.

Performance of a joint obligation in full by one of the debtors relieves the remaining debtors of the necessity of performing the obligation to the creditor.

3. Under a joint demand any of the creditors has the right to make full demands on the debtor.

Performance of the obligation in full to one of the joint creditors relieves the debtor of the necessity of performing the obligation to the remaining creditors.

#### Article 62: Guarantees of Performance of Obligations

1. In cases provided for by law or contract, performance of obligations may be guaranteed by penalty, mortgage, guarantee or collateral.

2. A penalty (fine, default penalty) is defined as a sum of money determined by law or contract which the debtor is obligated to pay to the creditor in the event of failure to perform or improper performance of an obligation, specifically in the case of failure to meet a deadline for performance of the obligation.

The creditor does not have a right to demand payment of this penalty if the debtor is not liable for failure to

perform or unsatisfactory performance of the obligation (see Article 65 of the present Fundamentals).

3. If a penalty has been established for failure to perform or unsatisfactory performance of an obligation, then the sum of losses not covered by the penalty may be reimbursed.

The law or a contract may make provision for the following cases: levying only of a penalty but not other losses permitted; reimbursement of losses over and above the sum of the penalty required; either the penalty or the sum of losses to be claimed, at the creditor's discretion.

4. In a case involving collateral the creditor (collateral holder) has the right in the event of non-performance by the debtor of the obligation for which collateral is held to obtain satisfaction from the value of the property held as collateral on a priority basis before other creditors. Satisfaction of a creditor's demands from the value of property held as collateral occurs, unless otherwise stipulated by legislative acts, on the basis of a court or commercial court decision.

Collateral originates on the basis of a contract or a law.

5. The object of a mortgage, including bank mortgages, may be any property, including property rights, with the exception of property which may not be freely sold.

Mortgaged property which has left the possession of the mortgage holder or debtor with whom it was left may be reclaimed by the mortgage holder in accordance with Article 53 of the present Fundamentals.

In the event that the right to ownership, full commercial management or operational management is transferred by the mortgage holder to another person the mortgage right remains valid.

6. In the case of a guarantee (cosigning) the guarantor (cosignatory) pledges to the creditors of another person (the debtor) to assume responsibility for performance of that person's obligation in full or in part. Unless otherwise contractually stipulated the debtor and the guarantor are liable with regard to the creditor as joint debtors.

To a guarantor who has performed an obligation are transferred all the creditor's rights in regard to the obligation in question.

7. Collateral is defined as a sum of money paid by one of the contracting parties into an account stipulated in a payment agreement with the other party as proof of conclusion of the contract and as a guarantee of compliance with it. If the party which provided the collateral is responsible for failure to abide by the contract, the collateral remains with the other party; if the party which received the collateral is responsible it is obligated to pay the other party twice the sum of the collateral.



#### Article 63: Assignment and Transfer of a Debt

1. Assignment by a creditor to another person is permitted insofar as it does not violate the law or a contract, and insofar as the claim is not connected with the person of the creditor. Damages claims stemming from injury to health or fatal injury may not be assigned.

The original creditor bears responsibility to the new creditor for the nullification of this claim to the debtor except in instances where the original creditor acted as a guarantor for the new creditor.

2. Transfer by a debtor of his debt to another person is permitted only with the consent of the creditor.

3. Assignment and transfer of a debt based on a deal made in written form must also be recorded in writing.

#### Article 64: Liability for Violation of an Obligation

1. In the event of failure to perform or unsatisfactory performance of an obligation by a debtor the debtor is obligated to reimburse the creditor for all losses caused thereby (see Article 5 of the present Fundamentals).

Reimbursement of losses in cases where failure to perform or unsatisfactory performance of an obligation are covered by a penalty is governed by the regulations contained in Article 62 of the present Fundamentals.

In regard to certain types of obligations legislative acts may establish limited liability for failure to perform or improperly performance of obligations.

2. In the event of failure to perform an obligation to transfer a specific individual item to the ownership, full commercial management or operational management of a creditor the latter has a right to demand confiscation of the item from the debtor and its transfer to the creditor, or to claim reimbursement for losses.

3. In the event of failure by a debtor of an obligation to perform specific work the creditor has the right to have that work performed at the debtor's expense unless otherwise stipulated by law or contract, or to claim compensation for losses.

#### Article 65: Grounds for Liability for Violation of Obligations

1. A debtor is responsible for failure to perform or unsatisfactory performance of obligations if guilt exists and unless otherwise stipulated by law or contract. A debtor is relieved of responsibility if the debtor can prove that the debtor took all measures possible to ensure proper performance of the obligation.

2. A person who does not perform or performs unsatisfactorily an obligation in the process of carrying out commercial activity bears material liability (see Article 64 of the present Fundamentals) only in the event that that person cannot prove that proper performance of the obligation was impossible as a result of an insurmountable force, i.e. extreme and irremediable circumstances

in connection with the obligation or obligations in question (natural disasters, military action, etc.). Those circumstances do not include, among other things, violation of obligations by the debtor's agents or the absence from the market of the goods required to perform the obligation.

The law or a contract may provide for other fundamental liabilities or exemption from them.

3. If failure to perform or unsatisfactory performance of an obligation was abetted by the creditor's behavior a court, commercial court or arbitration tribunal may reduce the extent of the debtor's liability proportionally.

#### Article 66: Default by a Debtor or Creditor

1. A debtor who defaults on performance is liable to the creditor for losses incurred as a result of the default, as well as for impossibility of performance which may accidentally arise in the course of the period of default. Debtors are not considered to have defaulted as long as the obligation cannot be performed as a consequence of a delay by the creditor.

2. If as a consequence of a delay on the part of the debtor performance has ceased to be of interest to the creditor the latter may refuse to accept performance or demand compensation for losses.

A debtor who defaults on performance of a monetary obligation is required to pay interest on the defaulted sum for the period of default in an amount to be determined by law, if no contract has established a different interest rate.

3. A creditor is regarded as defaulted if the creditor has refused to accept proper performance as offered by the debtor or has not performed actions without performance of which the debtor is incapable of performing the debtor's obligations.

Default by a creditor gives the debtor the right to compensation for losses incurred as a result of the default.

#### Article 67: Termination of an Obligation

1. Performance in an appropriate manner terminates an obligation.

2. An obligation is terminated by an offsetting of claims, the time limit for which has expired, or else the time limit of which is not indicated or is defined as the moment of demand. A statement by one party is sufficient for offsetting of claims.

Offsetting of claims is not permitted:

- 1. if by the statement of one party the requirement is subject to application of the statute of limitations on suits,
- 2. in regard to compensation for damages caused by harm to health or fatal injury;



—3. in other cases provided for by law

3. An obligation is terminated by the impossibility of its performance if that impossibility results from a circumstance for which the debtor is not responsible (see Article 65 of the present Fundamentals)

4. Laws or contracts may make provision for other cases in which obligations terminate.

## Chapter 9: Buying and Selling

### Article 68: Contracts Pertaining to Buying and Selling

Based on a contract of sale the seller is obligated to transfer property as wholly-owned property (or for full commercial management or operational management) to the buyer, and the buyer is obligated to accept the property and pay a specified sum of money for it.

### Article 69: Prices

The sale of goods is carried out at prices established by the seller on the basis of a contract with the buyer or, in cases for which provision is made by legislative acts, at state prices.

### Article 70: Quality of Items Sold

The quality of an item sold should correspond to standards and other technical and standardizing documentation as defined in accordance with laws on quality requirements and to the terms of the contract; in the absence of approved technical and standardizing documentation or indications in a contract quality shall be determined in accordance with commonly accepted standards.

### Article 71: Responsibility for Proper Quality of Items Sold

The buyer to whom an item of unsatisfactory quality is sold has the right, unless the item's defects were pointed out by the seller, to demand from the seller at the buyer's discretion either replacement with the same item of proper quality, a proportional reduction in the purchase price, free repair of the item's defects, a refund of the buyer's expenses to have the defects repaired, or dissolution of the contract and compensation for losses incurred.

If the seller is not the manufacturer of the item which is of unsatisfactory quality the buyer has the right at the buyer's discretion to demand replacement of the item by the seller or the manufacturer, or to demand free repair of defects by the manufacturer or an organization established by the manufacturer to repair and service the manufacturer's products or one which performs repairs on and services items on the basis of a contract with the manufacturer.

### Article 72: Responsibility for Damages Caused by an Item of Unsatisfactory Quality

Damages caused to the buyer's life, health or property by an item of unsatisfactory quality are subject to compensation in accordance with Article 119 of the present Fundamentals.

### Article 73: Delivery Contracts

1. On the basis of a delivery contract the supplier is obligated within a specified time limits (or time limit) not coinciding with the moment the contract was concluded to transfer goods into the full ownership (or full commercial management or operational management) of the buyer, and the latter is obligated to accept the goods and pay a specified sum of money for them.

2. The regulations governing a contract of sale also apply to a delivery contract unless otherwise stipulated by the present Fundamentals or other legislation.

3. Special rules governing delivery of goods for state needs are to be determined by legislation.

### Article 74: Unilateral Refusal to Perform a Delivery Contract

Unilateral refusal to perform a delivery contract (in full or in part) without compensation for the other party's losses is permitted if the following violations of contract occur:

- repeated delivery of an item of unsatisfactory quality;
- substantial delay in payment by the buyer for the item delivered beyond the time limits provided for in the contract, or the buyer's declaration of inability to pay;
- significant violation of the buyer's contractually stipulated obligations in regarding to sampling of the item;
- systematic failure by the supplier to deliver the item within the time limits specified in the contract.

### Article 75: Contract To Supply Energy and Other Resources

1. On the basis of a contract to supply energy and other resources via a connecting network the supplier is obligated to provide the other side, the buyer (subscriber) with the resources stipulated in the contract, and the buyer is obligated to pay the cost of the resources received.

2. The supplier should ensure that resources are provided in quantities, within time limits and of a quality corresponding to established technical standards and contractual stipulations.

The supplier has the right to inspect the buyer's system for monitoring use of resources or the technical condition of the buyer's equipment and facilities for the use or

processing of the resources in question without disrupting the buyer's commercial activities.

3. The buyer is obligated to follow the schedule for use of energy and other resources stipulated in the contract.

4. The law may establish special regulations governing the supply of certain types of energy and other resources.

#### **Article 76: Forward Contracts**

1. On the basis of a forward contract a producer of agricultural produce is obligated to sell to the procurer (forward contractor) the produce in question as property (or for purposes of full commercial management) within time limits, in a quantity and of an assortment provided for by contract, and the procurer (forward contractor) is obligated to aid the producer in the production of the agricultural produce, to accept it and to pay a specified sum of money for it. The forward contractor is also obligated to transport the produce unless otherwise contractually stipulated.

2. The regulations governing a sale contract are also applicable to a forward contract unless otherwise stipulated by the present Fundamentals or other legislation.

3. Republic legislation may establish special rules regarding forward contracts for certain types of agricultural produce.

### **Chapter 10: Leasing**

#### **Article 77: Lease Contracts**

1. On the basis of a lease contract (renting of property) the lessor (issuer of the rental agreement) is obligated to grant the tenant (renter) property for temporary possession and use or for use for payment for the purpose of independent commercial activities or other purposes.

The produce, fruits and other income received by a tenant as the result of use of leased property for commercial property are the property of the tenant.

2. The lessor should grant the tenant property in a condition corresponding to the terms of the contract and the purpose of the property. The lessor is responsible for shortcomings in the leased property which hinder use of it, even if the lessor was not aware of those shortcomings at the time the lease was concluded. Unless otherwise stipulated by law or contract the lessor makes capital repairs on the leased property at the lessor's expense.

3. The tenant is obligated to use the property in accordance with contract and the property's purpose, to maintain it in good condition, to perform minor repairs at the tenant's expense unless otherwise stipulated by law or contract and to pay the rent in a timely manner. The tenant has a right to sublet the property by agreement with the lessor unless otherwise stipulated by law. Following termination of the contract the tenant is obligated to return the property in the same condition in which it

was received less normal wear and tear, or in a different condition as stipulated by contract.

4. Unless otherwise contractually stipulated detachable improvements to the leased property made by the tenant are the tenant's property. In the event that the tenant has made at the tenant's own expense and upon agreement with the lessor improvements which are not removable without causing harm to the leased property the tenant has the right following termination of the lease contract to compensation for the cost of those improvements, unless otherwise contractually stipulated. The cost of non-detachable improvements made by the tenant without the lessor's consent is not subject to reimbursement unless otherwise stipulated by law or contract.

#### **Article 78: Alteration, Dissolution and Extension of Lease Contracts**

1. Changes in the terms of a lease contract or its premature dissolution are permitted by agreement of the parties. At the request of one party to the lease a lease contract may be dissolved by a court or commercial court in cases provided for in legislative acts.

2. Transfer of the right of ownership (or full commercial management or operational management) on leased property to another person is not grounds for alteration or dissolution of the lease contract.

3. Upon expiration of the time limit for the lease contract a leaseholder who has performed his obligations in an appropriate manner has the option before others to renew the lease contract. If a lease contract is extended for a new period of time its conditions may be amended by agreement of both parties.

4. If a tenant continues to use property following the expiration of a contract without objection on the part of the lessor the contract is regarded as renewed for an indefinite period of time. In connection with this each of the parties has a right to break the contract at any time, giving the other party at least three months' notice of the intention to do so, unless otherwise stipulated by law or contract.

#### **Article 79: Redemption of Leased Property**

1. A lease contract may make provision for the leased property to become the property of the tenant upon expiration of the term of lease or prior to its expiration upon the condition that the tenant by the entire lease fee stipulated in the lease contract (redemption price)

2. If no stipulation has been made in the lease contract regarding redemption of the leased property such a stipulation may be established by a supplementary agreement between the parties, who in the process have the right to negotiate on inclusion of previously paid lease fees in the redemption price.

**Article 80: Special Features of Certain Types of Leases**

Legislation may provide for special features of certain types of leases, as well as cases restricting leasing or forbidding redemption of leased property.

**Chapter 11: Housing Rental****Article 81: Housing Rental Contracts**

1. On the basis of a housing rental contract the landlord grants the renter and members of the renter's family use of separate housing facilities, and the renter is obligated to use that housing in accordance with the building's purpose, maintain it and pay rent in a timely manner.

A family member of a renter living in this housing becomes a party to the housing rental contract. Family members living with the renter enjoy all the rights and have all the obligations of the housing rental contract along with the renter.

2. In the case of state-owned or publicly-owned housing, a housing rental contract is concluded based on an order for living space granted by the executive committee of the appropriate Soviet of People's Deputies.

In place of the original housing rental contract, a contract may be concluded with another family member at the request of the renter or members of his family. In the event of the renter's death or change of abode, a contract can be concluded with a member of the family remaining in the living quarters.

3. The renter and his family members have the right to purchase the rented housing quarters in a state or publicly-owned building on a contractual basis. Upon settling accounts they acquire the rights of ownership to the residence.

**Article 82: Termination or Alteration of a Housing Rental Contract**

1. Grounds for terminating and altering a housing rental contract are established by legislative acts.

2. Without the consent of the contracting parties a housing rental contract may be dissolved only by court order. As a result of dissolution the right of the renter and the renter's family members to the housing is terminated.

3. Upon dissolution of a housing rental contract eviction without offering other housing can occur only in cases of systematic violations or destruction of the housing, inappropriate use of the housing, and behavior making continued cohabitation impossible, including that of parents with children in regard to whom the parents have lost their parental rights. In these cases a court has the right to impose a housing exchange in place of eviction.

If only one member or a part of the members of a family are guilty of improper behavior the right to use of the housing is terminated only for those family members.

The housing rental contract remains in effect for the remaining members of the family.

**Chapter 12: Work Contracts****Article 83: Agreement on a Work Contract**

1. Under an agreement in regard to a work contract the contractor is obligated to perform at his own risk certain work at the customer's instructions with the use of him or his materials, while the customer is obligated to accept the work and pay for it within a specified period of time and at an agreed-upon price.

2. The contractor is obligated to do everything possible to ensure protection of the customer's property entrusted to him and is responsible for any error which causes loss of or damage to that property.

**Article 84: General Contractors and Subcontractors**

A contractor has the right to engage other persons (subcontractors) for the purpose of carrying out his contract, while remaining responsible to the customer for the results of their work. In that case the contractor serves the customer as a general contractor, and acts as customer in regard to the subcontractors.

**Article 85: The Customer's Right To Supervise Work**

The customer has the right to monitor the progress and quality of work at any time without interfering with the contractor's commercial activity.

**Article 86: The Customer's Rights in the Event of Contract Violations by the Contractor**

1. If the contractor has deviated from the conditions of the contract and consequently adversely affected the work or permitted other shortcomings in the work the customer has the right to demand at the customer's discretion free elimination of the aforementioned shortcomings within an appropriate time period, compensation for expenses incurred by the customer to repair shortcomings in the work, or a proportional reduction in remuneration for the work.

2. If the work shows evidence of substantial deviation from the contract or other substantial shortcomings the customer has a right to demand dissolution of the contract and compensation for losses.

**Article 87: Work Contracts for Capital Construction**

1. Under a work contract for capital construction the contractor is obligated to build and turn over within a specified time period a facility designated by contract or to perform construction jobs specified by contract, while the customer is obligated to provide the contractor with a construction site or a work area, accept the work and pay for it.

A work contract for capital construction is concluded for construction, major repair work and renovation of enterprises, buildings and facilities and performance of installation, setup and other jobs directly connected with a facility's operational site.

2. Material, planning and technical groundwork for construction is the responsibility of the contractor unless otherwise contractually stipulated. Payment for work performed follows the customer's acceptance of the finished facility or series of contracted jobs. A contract may make provision for other means of groundwork for the job and other terms of payment.

#### **Article 98: Work Contracts for Planning and Survey Work**

1. Under a work contract for planning and survey work the contractor is obligated to draw up planning documentation to the customer's specifications and perform survey work, while the customer is obligated to accept the work and pay for it.

2. The contractor is responsible for shortcomings in the plan, including those which are discovered during implementation of it, as well as those discovered during use of the facility in question, with the exception of shortcomings which appear after expiration of a contractually stipulated time limit. If shortcomings are discovered the contractor is obligated to redo the plan free of charge and also to compensate the customer for losses incurred as a result of shortcomings in the plan up to the full cost of the planning work, unless the law has established a higher degree of liability.

#### **Article 99: Contracts for Scientific Research and Experimental Design Work**

1. A contract regarding performance of scientific research and experimental design work obligates the person performing the work to carry out scientific research as per instructions or develop a prototype of a new item and design documentation on it, a new production technology or other production-related innovation, while the customer is obligated to accept the work and pay for it.

A contract with the person performing the work may encompass the entire cycle of research, development and manufacture of a production innovation or individual aspects of research, development and manufacture of innovations.

2. If scientific research fail to achieve the desired results the customer is obligated to pay the person who performed the work for expenses incurred for the research conducted prior to discovery of the impossibility of obtaining the desired results.

3. In the event that a negative result is obtained in the course of experimental design work (if it becomes clear during performance of the work that it is impossible to

create a contractually stipulated item and design documentation on it) through no fault of the person performing the work, the customer is obligated to pay for the actual expenses incurred by the person performing the work.

In the event of failure to achieve the stipulated indices during experimental design work on a manufactured object the customer has the right to reduce the amount of remuneration in proportion to the extent that this failure did not result from any action of the customer's.

#### **Article 90: Legislation Regarding Certain Types of Contract Work**

Special regulations governing performance of certain types of contract work and payment for such work are to be established by the present Fundamentals and other legislation.

### **Chapter 13: Shipping**

#### **Article 91: Shipping Contracts**

1. Under a contract to ship freight the carrier is obligated to deliver the freight entrusted to him by the sender to the destination and turn it over to a person empowered to receive the freight (the receiver), while the sender is obligated to pay a specified price for shipment of the freight.

2. Under a contract to transport a passenger the carrier is obligated to deliver the passenger to his or her destination, and in the event that the passenger has checked baggage, also to deliver that baggage to the destination and release it to a person empowered to receive it; the passenger is obligated to pay an established fee for passage, as well as for any baggage transported.

3. Conditions governing transportation of freight and passengers by individual types of transportation and transportation by various means of transportation on the same transport documents (direct mixed connections), as well as the liability of the parties to this transportation, are established by transportation charters (codes) affirmed in legislative acts and by regulations issued in accordance with the procedures established by those charters (codes).

#### **Article 92: Transport of Freight and Passengers via Public Transportation**

1. Public-use transportation organizations do not have the right to show preference to one individual over others in regard to the concluding of a transportation contract or its terms (cost, time of departure, etc.), except in certain cases provided for in legislative acts.

2. Agreements between public-use transportation organizations and passengers and freight senders regarding restrictions on or elimination of liability for damages to the life and health of a passenger as well as loss of or damage to freight as stipulated by law are invalid, with



the exception of cases where the possibility of such agreements is provided for in transportation charters (codes).

#### **Article 93: Transportation Contracts**

The carrier and the freight owner may conclude long-term transportation contracts if there exist between them ongoing ties resulting from the need to make regular shipments. Contracts of this nature define the volume, time limits and other terms governing provision of transportation, delivery of freight for shipment and other aspects of transportation not provided for by transportation charters (codes) or regulations issued in development of those charters.

#### **Article 94: Transportation Fees**

1. Payment for transportation of freight and passengers by public-use transportation organizations are determined by rate schedules established according to procedures established by transportation charters (codes) or, in cases for which rate schedules have not been established, by agreement between the parties.

Payment for transportation of freight, passengers and baggage by other carriers is determined by agreement between the parties.

2. The carrier has a guaranteed right to the property entrusted to him for shipment in order to ensure payment of the appropriate sum of freight fees and other shipment costs.

#### **Article 95: Carrier's Liability for the Death or Injury of a Passenger**

A carrier's liability for causing the death or injury of a passenger is determined by the regulations in Article 19 of the present Fundamentals, unless legislative acts have made provision for greater liability.

#### **Article 96: Time Limits for Delivery of Freight, Passengers and Baggage and Liability for Delays**

The carrier is obligated to deliver freight, passengers or baggage to their destination within a time limit established by transportation charters (codes) or by regulations issued according to established procedure. If no time limit for delivery has been established the contracting parties have a right to stipulate a deadline in their contract. For violation of time limits for delivery of freight or baggage, delay in releasing them, and delays in passenger transportation the carrier bears liability as provided for by transportation charters (codes) and the transportation contract.

#### **Article 97: Carrier's Liability for Lost, Incomplete or Damaged Freight and Baggage**

The carrier is responsible for the loss of, partial loss of or damages to freight and baggage unless the carrier can prove that the loss, partial loss, spoilage or damages occurred through no fault of the carrier.

Transportation charters (codes) may make provision for cases in which proof of the carrier's guilt is the burden of the receiver or sender.

### **Chapter 14: Insurance**

#### **Article 98: General Principles**

1. The object of insurance may be property as well as a property interest which is not in violation of the law (possible property damages caused by loss of life or damage to health, the risk of civil liability, expected profits, the risk of entrepreneurial activities, etc.).

2. Insurance coverage is provided in the form of voluntary insurance or, in certain cases established by legislative acts, in the form of mandatory state insurance.

3. The insurer may be a corporate body which has state permission (a license) for this type of entrepreneurial activity, possess the required charter fund and meet other requirements stipulated in USSR legislative acts on insurance and insurers.

Mandatory state insurance coverage is provided by state insurance organizations.

4. The insurer has a right to reinsure a portion of the risk with another insurance organization.

#### **Article 99: Voluntary Insurance Policies**

1. Under an insurance policy for property or in connection with a property right to property or the use thereof (property insurance policy) the insurer is obligated to make specified payments (insurance payments) upon the occurrence of an event (insurance case) stipulated in the insurance policy to compensate the insured or other person who is the beneficiary of the insurance policy and who has suffered losses in full or in part (to pay insurance compensation) within the limits of a sum established by the policy (the insurance amount).

In cases in which property is not insured for its full value an appropriate portion of the damages is subject to compensation, unless otherwise stipulated by legislative acts or insurance policy.

If the insurance amount stated in a policy exceeds the true value of the insured property the policy is invalid for that portion of the insurance amount which exceeds the property's value.

2. Under a personal insurance policy the insurer is obligated upon occurrence of an insurance claim to pay the insured or other person who is a beneficiary of the insurance policy an insurance amount stipulated by the policy regardless of any sums received by the beneficiary from social insurance or social security and sums received as compensation for damages. The insured is obligated to make insurance payments as stipulated by the insurance policy.



3. An insurance policy does not become effective prior to the first insurance payment unless otherwise stipulated in the policy.

#### **Article 100: Consequences of the Occurrence of an Insurance Claim**

1. The insurer is obligated upon occurrence of an insurance claim to pay the insured or other person who is beneficiary of the insurance policy insurance compensation, and also to reimburse essential expenses made in order to alleviate the damages subject to compensation.

2. Insurance compensation and other sums paid by the insurer in accordance with the stipulations of an insurance policy are not subject to taxes or fees.

3. Following the occurrence of an insurance case the insured may, unless otherwise stipulated by law or contract, state to the insurer the intention of renouncing his or her rights to insured property and receive the full sum of insurance compensation.

4. An insurer who has paid insurance compensation based on property insurance coverage assumes within the limits of the sum paid the rights to the claim which the insured or other person who received the insurance compensation had against the person liable for the damages caused.

### **Chapter 15: Accounts and Loans**

#### **Article 101: Bank Accounts**

1. Citizens may keep funds in banks, make deposits and receive income from those funds and deposits.

2. Corporate bodies and individual citizens engaging in entrepreneurial activity are obligated to keep their liquid cash assets in banks. In order to keep funds and carry out all types of accounting, credit-related and cashier's operations corporate bodies and individual citizens engaged in entrepreneurial activity have the right to open current accounts and other accounts with any bank at their place of registration or with a bank outside their place of registration with the latter's consent.

#### **Article 102: Bank Account Contracts**

Under a bank account contract the bank is obligated to open an account for a corporate body or individual citizen (the client), pay into or out of that account sums received from or accruing to the client, at the client's instructions, or by court order and in other cases provided for by law without the client's consent, transfer appropriate sums from the client's account to creditors' accounts, accept cash from the client or pay cash out to the client or to others at the client's instructions, and pay established interest rates on the funds in the account. The client is obligated to comply with the regulations established by the bank.

Procedures governing the handling of convertible currency accounts are to be established by USSR legislation.

#### **Article 103: Protection of Depositors' Rights**

1. Information regarding deposits, accounts and transactions made in connection with them are to be disclosed by banks solely to the owner of the deposits and accounts, or in cases provided for in legislative acts also to judicial and investigative organs, auditing organizations and tax inspectors.

2. Levies may be made against citizens' accounts on the basis of a court sentence or court order in response to a civil suit stemming from a criminal case, a court order or decree levying alimony payments (in the absence of a salary or other property which could be levied), or a court order regarding division of an account which is the joint property of a married couple.

Confiscation of funds comprising an account may be conducted on the basis of a legally valid sentence or decree issued in accordance with the law authorizing confiscation of property.

#### **Article 104: Current Accounts**

Current accounts belonging to corporate bodies and citizens engaged in entrepreneurial activity are kept by banks (on a clearing basis) with the exception of cases for which provision is made in legislative acts.

Procedures for and forms of clearing accounts are defined by USSR legislative acts. The form of clearing accounts between parties to a contract is chosen by the parties on the basis of an agreement between them.

#### **Article 105: Bank Loans**

1. Loans to individual citizens and corporate bodies are carried out on the basis of payability, recoupability and scheduling.

2. On the basis of a loan agreement a bank is obligated to issue to the client a sum of money for a specified period, in an amount and under terms agreed to by both parties. The client is obligated to use the sum received for the purposes envisioned by the contracting parties, pay off the loan with interest in a timely manner and give the bank an opportunity to verify use of and collateral for the loan. In certain cases provided for by a loan agreement the bank has a right to cover debts using the client's bank account without appeal.

The rate of interest for use of credit is determined by an agreement between the parties, unless otherwise stipulated by law.

3. Banks accept collateral or a guarantee (cosigner) as a security ensuring that the loan will be paid off in a timely manner, as well as obligations in other forms commonly accepted in banking practice. Banks may issue loans without demanding collateral.

**Chapter 16: Power of Attorney****Article 106: Power of Attorney Agreements**

On the basis of a commission contract one party (the attorney) is obligated to perform certain legal acts on behalf of and at the expense of the other party (the principal). The principal is obligated to remunerate the attorney unless otherwise stipulated by law or contract.

The attorney is obligated to exercise the power of attorney personally, unless otherwise stipulated by legislative acts or contract.

The principal has the right to alter the power of attorney, and the attorney may renounce it at any time. Agreements renouncing these rights are not valid.

If the attorney has renounced the agreement under conditions in which the principal was unable to otherwise protect his or her interests the attorney is obligated to make compensation for any losses incurred as a result of termination of the agreement.

**Article 107: The Obligations of the Attorney**

The attorney is obligated to exercise the power of attorney granted to him or her in accordance with the principal's instructions. The attorney has a right to deviate from those instructions if this is necessary under given circumstances in the principal's best interests and the attorney could not make inquiry of the principal in advance or did not receive a reply to such an inquiry in a timely manner.

The attorney is also obligated to report to the principal at the latter's request all information regarding exercise of the right of attorney and turn over to the principal without delay everything obtained in connection with exercise of the power of attorney.

**Article 108: The Obligations of the Principal**

The principal is obligated to accept without delay from the attorney all that has been performed by the latter under terms of their agreement.

The principal is also obligated, unless otherwise stipulated by contract, to provide the attorney with the means required to exercise the power of attorney and to reimburse the attorney for all expenditures required to exercise the power of attorney.

**Chapter 17: Commissions****Article 109: Commission Agreements**

1. Under a commission agreement one party (the broker) is obligated to perform one or more transactions for the other party (the client) for remuneration, on the client's behalf and in the client's best interests.

The broker retains the right to commission fees and compensation for expenses in the event that the agreement is not upheld for reasons dependent upon the client.

2. In regard to a transaction performed by a broker with a third party it is the broker who acquires rights and assumes obligations, even though the client is named as a party to the transaction.

3. Legislation may make provision for special regulations governing certain types of commissions.

**Article 110: Use of Commission Powers**

1. A broker who has accepted a commission is obligated to act in accordance with the client's instructions and on the most advantageous terms for the client. If the broker has made a transaction on terms more advantageous than those which were indicated to the client a portion of the benefit stipulated in their agreement accrues to the broker.

The broker has a right to deviate from the client's instructions in cases provided for in Article 107 of the present Fundamentals.

2. The broker is not liable to the client for performance of a transaction by a third party after the transaction has been made with that party on behalf of the client, except in cases in which the broker accepts the assignment of ensuring performance of the transaction by the third party (*del credere*).

**Article 111: Rights to Property Which Is the Subject of a Commission Agreement**

1. Property received by a broker from a client or obtained by a broker on a client's behalf belongs to the latter.

2. In order to ensure payment to the broker of fees stemming from commission assignments the broker possesses a collateral right on items which comprise the object of the commission.

3. A broker is responsible to the client for loss of or damages to client property in the broker's possession.

**Chapter 18: Joint Operations****Article 112: Contracts Regarding Joint Operations**

Joint operations without creation of a corporate body for that purpose are carried out on the basis of a contract between participants in the operations. Under the terms of such a contract the parties (participants) are obligated to operate jointly through pooling of property and efforts to achieve a common commercial or other goal not in violation of legislative acts.

Legislation may make provision for special regulations governing implementation of certain types of joint operations.

#### **Article 113: Conducting of Common Affairs of Participants in a Contract**

The conducting of common affairs of participants in a joint operations contract is carried out by their common consent.

If the participants in the contract have stipulated therein that their joint operations will be headed by one of the participants then the conducting of their common affairs falls to that participant.

The person who has been assigned to conduct common affairs acts in accordance with an authorization issued by the remaining participants in the contract.

#### **Article 114: Common Property of Contract Participants**

1. Monetary or other property contributions by contract participants, as well as property created or acquired as a result of their joint operations, is their common, proportionally shared property.

A participant in a joint operations contract does not have a right to dispose of that participant's share of common property without the consent of the remaining contract participants, with the exception of that portion of production and income from operations which accrues to each of the participants.

2. The property of corporate bodies united as participants in a contract for the purpose of joint production is accounted for on a separate balance sheet and with a separate balance sheet for the joint operations contract participant to whom the conducting of joint operations and direction of the contract participants' common affairs has been entrusted by contract.

3. Levies as a result of debts owed by a joint operations contract participant which are not connected with the operations in question may be made against that participant's share of common property according to established procedures in the event that that participant does not possess sufficient other property.

4. The participants' obligations to maintain common property and procedures governing compensation for expenses and losses connected with performance of those obligations are provided for in the joint operations contract.

#### **Article 115: Distribution of the Results of Joint Operations Among Contract Participants**

Distribution of profits, losses and other results of joint operations among contract participants is carried out in accordance with their contract.

### **Chapter 19: Obligations Stemming From Damages**

#### **Article 116: General Grounds for Liability for Damages**

1. Damages caused to an individual or to a citizen's property, as well as damages caused to the property of a

corporate body, are subject to compensation in full by the person who caused the damages.

The person who caused the damages is exempt from payment of compensation if that person can prove that the damages were caused through no fault of that person.

2. A corporate body must make compensation for damages caused by its employees during performance of their work obligations.

3. Persons who cause damages together are jointly liable to the injured party.

4. Damages caused by legally permissible actions are subject to compensation in cases provided for by legislative acts.

5. When handing down a decision on compensation for damages a court, commercial court or arbitration tribunal should in accordance with the circumstances of the case obligate the person responsible for the damages to make compensation for it in kind (offering an item of the same type and quality, repairing the damaged item, etc.) or pay full compensation for the losses incurred.

#### **Article 117: Liability for Damages Caused by the Illegal Actions of State, Cooperative or Public Organs**

1. Damages caused to a citizen or corporate body by the illegal actions of a state, cooperative or public organ are to be compensated for on the usual terms unless otherwise stipulated by legislative acts.

2. Damages caused to a citizen as a result of an illegal sentence, illegal prosecution, illegal use of force in the course of arrest and detention or illegal imposition of administrative penalties in the form of arrest or corrective labor are to be compensated for in full by the state regardless of the guilt of officials in organs of inquiry, preliminary investigation, the procuracy or the court, in a manner set forth in legislative acts.

Damages caused to a citizen or corporate body as a result of other illegal acts by organs of inquiry, preliminary investigation, the procuracy or the court are to be compensated for on the usual terms.

#### **Article 118: Liability for Damages Caused by a Hazard**

1. Corporate bodies and citizens whose activities involve hazard to the public (transportation organizations, industrial enterprises, construction sites, motor vehicle owners, etc.) are obligated to make compensation for damages caused by the source of the hazard unless they can prove that the damages originated as a result of an irresistible force or the intent of the injured party.

2. Damages caused by the action of hazard sources to their owners are compensated for on the usual terms (see Article 116 of the present Fundamentals).

**Article 119: Liability for Damages Caused as a Result of Shortcomings in Products, Work or Services**

Damages caused to the life, health or property of a citizen as a result of the presence of production-, design- or formula-related or other shortcomings in a product (or work) the producer of that product (or work) must make compensation regardless of whether the injured party was party to a contractual relations with the producer.

The producer of a product (or work) is exempted from liability if the producer can prove that the damages originated as the result of the injured party's violation of use and storage regulations.

Damages are subject to compensation if they were incurred during a period of service established in accordance with law, or in the absence of such legislation within 10 years from the data of production of the product (or work).

**Article 120: Compensation for Damages Caused to Citizens' Life or Health**

1. In connection with the causing of mutilation or other damages to the health of a citizen lost salary (income) is subject to compensation in the amount exceeding the sum of the pension or aid payments assigned in connection with the injury, as well as expenses connected with damages to health.

2. In the event of the death of the injured party the right to compensation for damages belongs to unemployable persons who were dependents of the deceased or had a right to receive support from the deceased at the time of his or her death, as well as any child of the deceased born after his or her death.

3. Damages caused to the life or health of a citizen during performance of contractual obligations (transportation contracts, labor contracts, etc.) by organizations and citizens are to be compensated for based on the rules contained in the present chapter, unless greater compensation is stipulated by legislative acts.

**Article 121: Compensation for Moral Damages**

Moral damages (physical or moral suffering) caused to a citizen by illegal acts are to be compensated for by the person causing the damages if the forms and extent of that person's guilt have been determined by a court, unless otherwise stipulated by legislative acts.

**Article 122: Consideration of the Injured Party's Fault and the Property Status of the Person Causing Damages**

1. If flagrant negligence on the part of the injured party contributed to the origin or increase of damages, then in proportion to the degree of fault on the part of the injured party and the person causing the damages compensation should be reduced, and in cases of liability on the part of a person causing damages by no fault of that person the amount of compensation should be

reduced or the right to compensation rejected altogether, unless otherwise stipulated by legislative acts.

2. A court may reduce the amount of compensation for damages caused by a citizen in view of that citizen's financial situation.

**Section IV: Copyright****Article 123: Works to Which Copyright Extends**

1. Copyright extends to works of science, literature or art expressed in objective form which are the result of creative activity, regardless of the purpose or worth of the works, or the means of reproduction of a work. A work should be expressed in a form which permits its reproduction. Copyright extends to work both published and unpublished.

A work is regarded as published if it has been printed, performed publicly, exhibited publicly, broadcast over radio or television or otherwise become accessible to an indeterminate number of individuals.

2. Among the objects of copyright are literary works (fictional works, scientific works, textbooks, publicistic materials, etc.), drama, music, musical drama, theater sets, cinematic, televised and videotaped works, works of fine art, displays and design, photography, cartographic works, works of choreography and pantomime, translations, anthologies, programs for computers and databases, as well as other works which fall into the category described in point 1 of the present article.

3. In order to obtain copyright protection works need not be registered or otherwise specially formulated or comply with any other formalities.

4. Copyright does not extend to works of folk art whose authors are unknown, as well as official documents (laws, court orders, etc.) and official symbols (flags, seals, medals, units of money, stamps, etc.) approved by state or public organs and organizations.

**Article 124: Author's Rights**

1. The author of a work is defined as the citizen by whose creative labor the work in question was created

2. The author of a work possesses:

—the right to use of the author's name;

—the right to a title;

—the right to inviolability of the work;

—the right to publish the work;

—the right to use of the work (the right to decide whether it may be reproduced in the press, by public performance, on videotape or audio tape, through broadcast or translation or whether it may be edited, and whether reproduced copies of the work may be disseminated, etc.)



—the right to remuneration for permission to use the work.

A citizen of the USSR may transfer the right to use of the citizen's work within the territory of the USSR to foreign citizens and corporate bodies, and may also oversee use of the citizen's work within the territory of a foreign state.

3. Copyright to works created by the joint creative labor of two or more citizens (collective works) is held by the co-authors jointly regardless of whether the work in question comprises a single indivisible whole or consists of parts, each of which also has a separate significance.

Each of the co-authors retains copyright to the part of a work created by him or her which has separate significance and has the right to use that part of the work at his or her discretion.

4. An author's heirs inherit the right to protect the inviolability of a work, the right to decide whether it may be made public and in what manner it may be used, as well as the right to receive remuneration for permission to use the work. To other legal heirs of an author, including corporate bodies, may be transferred only the right to use of a work.

5. A person who uses a work in violation of copyright is obligated upon demand from the author or the author's legal heir to cease such use and compensate the author or the author's assignees for losses incurred.

#### **Article 125: Validity of Copyright Within the Territory of the USSR**

Copyright to a work first published within the territory of the USSR or as yet unpublished yet located within the territory of the USSR in some objective form is valid within the territory of the USSR. It is recognized as belonging to the author and his heirs regardless of their citizenship, as well as other assignees of the author.

Copyright is also recognized as belonging to USSR citizens whose works were first published or which are located in some objective form in the territory of a foreign state, and likewise to their assignees.

Copyright to a work first published or located in some objective form within the territory of a foreign state is recognized as belonging to other persons in accordance with the USSR's international treaties.

In connection with the granting of copyright protection in accordance with international treaties the fact that a work has been published within the territory of a foreign state is to be determined in accordance with a statute in an appropriate international treaty.

#### **Article 126: Time Limits on Copyright**

Copyright remains valid for the entire life of the author and 50 years after the author's death, as reckoned from 1 January of the year following the year of the author's death.

Copyright to a work first published after the author's death remains valid for 50 years from its date of publication.

The time limit of copyright on works created by co-authors is reckoned from the time of death of the last surviving author.

Authorship, the author's name and the inviolability of a work are preserved in perpetuity.

#### **Article 127: Use of an Author's Work by Other Persons**

1. Use of an author's work (including in translation to another language) by other persons is permitted in no other way than by agreement with the author or the author's assignees and by payment of remuneration, except in cases provided for in point 2 of the present article.

2. Permitted for use without the author's consent and without payment of remuneration, yet with required indication of the name of the author whose work is used and the copy source, are the following:

- 1. reproduction in scientific and critical works and textbooks of certain works of science, literature and the arts and excerpts from them within bounds established by law (quotation);
- 2. reproduction on radio and television or in newspapers of publicly delivered speeches and reports, as well as published literary works of a social and political nature, unless the author of the work in question has specifically banned reproduction;
- 3. reproduction of single copies of printed works for scientific, educational and informational purposes without receipt of profit;
- 4. publication of published works in Braille for the blind, with the exception of works specially created for such publications.

Reproduction of a work published by another for one's personal use is not regarded as copyrighted use of the work.

#### **Article 128: Copyright Agreements**

1. Use of an author's work by other persons (the users) is carried out on the basis of a copyright agreement.

Under a copyright agreement the author is obligated to create in accordance with the agreement and transfer a specified work or transfer a completed work for use, and the user is obligated to use or begin use of the work in a



manner stipulated by the agreement in a specified quantity and by a specified deadline, and to pay the author remuneration as specified by the agreement.

Maximum time limits on use of a work under copyright agreement are to be established by law.

Procedures for the accounting of and the amount of the author's remuneration and procedures for and time limits on its payment are to be specified in the copyright agreement. Minimum rates of remuneration to authors may be established by law.

2. The terms of a copyright agreement with an author which worsen the author's situation in comparison to a situation established by law are invalid and are to be replaced with the terms specified by law.

#### **Article 129: Official Works**

Copyright to works created in the course of performance of an official task belongs to the author.

The right to use the works of an author in a manner in accordance with the purpose of the task and within limits stemming from it belongs to the corporate body in connection with whose task the work was created. In this case remuneration to the author for use in such a manner and within such limits is to be made in cases and amounts stipulated by law.

Three years after the moment the work was presented the author acquires full rights to decide how the work is to be used and to receive author's remuneration for it.

#### **Article 130: Rights of Performing Artists, Creators of Audio and Video Recordings and Broadcast Organizations**

1. Performing artists, including directors, producers, conductors, actors, circus performers and puppeteers, possess the right to use of their name, the right to protect their performances from distortion, the right to decide how their performances may be used, and the right to payment for their use. Recordings of performances, live radio or television broadcast or taped broadcast on radio or television may occur only with the performer's consent.

2. Reproduction of audio and video recordings is permitted only with the permission of the persons who made the audio or video recordings.

The right to an audio or video recording includes the right to its reproduction and the right to its public distribution, including foreign distribution. If the rights of ownership in regard to a copy of an audio or video recording do not belong to its manufacturer, the manufacturer retains the exclusive right to commercial rental of the recording.

3. Broadcast organizations possess the right to permit other organizations to rebroadcast, record and reproduce

their broadcasts. The same applies to public reproduction of television broadcasts if such reproduction is performed for a fee in places accessible to an indeterminate number of individuals.

4. The creators of audio and video recordings and broadcast organizations exercise their rights within the bounds of the rights received on the basis of an agreement with the author or performer. Performing artists exercise their rights in compliance with the rights of the authors of works performed by them.

5. The rights provided for in the present article remain in effect for 50 years from the date of the first publication of an audio recording or its first broadcast. The heirs of a performing artist obtain the right to receive remuneration for use of the performance for the remainder of this 50-year period.

Use of the a performing artist's name in connection with reproduction of a performance is retained in perpetuity.

#### **Section V: The Right to Inventions and Other Fruits of Creative Work Used for Production (Industrial Rights)**

##### **Article 131: The Right to Inventions**

1. A patent is issued for a proposal recognized according to established procedure as an invention. The requirements for recognition of a proposal as an invention, and likewise procedures for registration of rights, are to be established by the USSR Law on Inventions.

2. A patent gives the patentholder an exclusive right to an invention. The patentholder has an exclusive right to use the invention at the inventor's discretion. Use of an invention by third parties without permission from the patentholder is not permitted. A patent on an invention remains in effect for 20 years from the date of application for a patent.

Restriction of a patentholder's rights (including with the aid of a right to prior use and forced licensing) is possible only in cases and according to procedures established by USSR legislative acts.

The patentholder has a right to sell the patent to an invention or to issue a license to it (i.e. permission to use the invention). Contracts regarding the sale or licensing of a patent are valid if they have been registered according to established procedures.

A person who uses an invention in violation of its patent is obligated at the demand of the patentholder to cease use of the invention and to make compensation to the patentholder for losses incurred.

3. In the USSR only patents issued by a USSR state organ dealing with inventions are legally valid. Such patents are valid throughout the territory of the USSR. A patentholder has the right to patent an invention in foreign states in accordance with established procedures.

#### **Article 132: The Rights of the Inventor**

1. The inventor is defined as the citizen by whose creative labor a proposal meeting established standards as an invention was created.

If an invention was created by the joint creative labor of several citizens they are all recognized as co-inventors. Procedures for exercise of rights to an invention created by co-inventorship are to be determined by an agreement between the parties.

2. The author of an invention has the right to inventorship, which is an inalienable personal right. Inventorship is retained in perpetuity.

3. The right to a patent, and likewise a patent already issued, may be inherited.

4. The right to obtain a patent belongs to the inventor. The author of an invention may cede that right, and likewise a patent already issued, to another person. Transfer of the right to obtain a patent on inventions which have not yet been created is not permitted.

5. The inventor has the right to receive profits from the invention when used by the inventor personally. He has a right to receive remuneration for sale of the patent or a license to it. If the inventor has transferred the patent to an organization on the condition that he will receive remuneration if the invention is used, the inventor has a right to receive remuneration for the duration of the patent's validity. The right to remuneration belongs also belongs to the inventor in other cases provided for by USSR legislation.

#### **Article 133: The Right to an Invention Created During Performance of Official Duties**

The right to an invention created during performance of official duties belongs to the inventor. The organization during performance of whose assignment the invention was created has the right to use the invention under the terms of a simple non-remunerative license. Other persons have a right to use such an invention only through agreement with the inventor. The inventor may sell the patent to the invention or the right to obtain a patent to the organization during performance of whose assignment the invention was created, on the usual terms.

#### **Article 134: The Rights of the Author of an Efficiency Proposal**

Proposals not recognized as inventions may be recognized as efficiency proposals in accordance with the law and with regulations based thereon as established by each organization. The author of an efficiency proposal has the right to recognition as its author, to payment of a reward to be determined by the organization which accepts the proposal, and also to benefits established by law.

#### **Article 135: The Right to an Industrial Model**

1. A patent is issued for an industrial model. Requirements for the item's external appearance necessary for issuance of a patent on an industrial model as well as procedures for applying for rights to an industrial model are to be established by USSR legislation.

2. The patentholder has an exclusive right to use the industrial model at the patentholder's discretion. Use of an industrial model by third parties without the permission of the patentholder is not permitted. A patent on an industrial model remains in effect for 10 years from the date of application for the patent. Its period of validity may be extended, but not for more than 10 years.

3. The patentholder has a right to sell a patent to an industrial model or to issue a license to it. Contracts regarding the sale of a patent or issuance of licenses are valid upon the condition that they have been registered according to established procedures.

A person who uses an industrial model in violation of patent is obligated to terminate such patent violation at the patentholder's demand and to make compensation to the patentholder for losses incurred.

The right to an industrial model is valid throughout the territory of the USSR. In the USSR only patents issued by a USSR state organ on inventions are valid. A patentholder has the right to patent industrial models belonging to the patentholder in foreign states as well.

#### **Article 136: The Right to a Trademark**

1. A person who registers a trademark (or service mark) has an exclusive right to place that mark on items manufactured by that person, or the packaging of such items, on signs, on documents, etc. The official name of a corporate body may be used as part of a trademark.

2. The owner of rights to a trademark may issue a license to use the trademark only upon the condition that the licensee provides a quality of goods and services equal to the goods and services of the license issuer.

3. Registration of a trademark remains in effect for 10 years. The period of validity of a trademark may be extended in increments of 10 years.

Trademarks registered by a USSR state organ on inventions or otherwise registered in accordance with international treaties to which the USSR is a party are also valid in the USSR.

Trademarks thus registered are valid throughout the entire territory of the USSR. The owner of a trademark has a right to register it in a foreign state or to acquire international registration of it.

#### **Article 137: The Right to a Company Name**

The company name of a corporate body is subject to registration through inclusion in the state register of corporate bodies.

A corporate body whose company name has been registered in accordance with established procedures has an exclusive right to the use of that name.

A person who uses another person's registered company name is obligated upon demand of the owner of rights to that company name to terminate its use and make compensation to the owner of the rights for losses incurred.

#### **Article 138: Protection of Trade Secrets**

The owner of technical or commercial information which comprises a trade secret (know-how) has a right to protect that information from illegal use by third parties on the conditions that:

- 1. the information has current or potential commercial value as a result of its not being known by third parties;
- 2. there is no free access to the information by legal means;
- 3. the owner of the information takes appropriate measures to protect its confidentiality.

The time limit on protection of know-how is limited to the period in which the aforementioned conditions continue to exist.

A person who uses know-how belonging to another person in an illegal manner is obligated to compensate the owner of the information for losses. A person who has independently and in good faith obtained such information has the right to use it without any restrictions whatsoever.

#### **Article 139: Protection of Advances in Selection**

An exclusive right to advances in selection (new types of plants and new breeds of animals) is protected under conditions and according to procedures established by legislative acts.

### **Section VI: Legal Capacity of Foreign Citizens and Corporate Bodies; Application of the Civil Laws of Foreign States and International Treaties**

#### **Article 140: Grounds for Application of Foreign Law**

Foreign law is applicable to civil relations in cases provided for by legislative acts of Soviet law, international treaties to which the USSR is a party, and also on the basis of an agreement between parties which does not violate the above or on the basis of an internationally accepted practice recognized by the USSR.

#### **Article 141: Establishment of the Content of Foreign Legal Norms**

1. In cases of application of foreign law a court, commercial court, arbitration tribunal or administrative organ establishes the content of its norms in accordance with

their official interpretation, practical application and doctrine in the foreign state in question.

In order to establish the content of norms of foreign law a court, commercial court, arbitration tribunal or administrative organ may request according to established procedures assistance and clarification from the USSR Ministry of Justice or other competent organs and agencies in the USSR and abroad, or engage experts for this purpose.

Persons involved in a case have a right to present documents confirming the content of the corresponding norms of foreign law.

2. If the content of norms of foreign law is not established despite all measures taken in accordance with the present article, then Soviet law is to be applied.

#### **Article 142: Restrictions on the Application of Foreign Law**

Foreign law is not to be applied in cases in which its application would be in violation of the Soviet system (public order). In those cases Soviet law is to be applied.

Refusal to apply foreign law may be based solely on differences between the political or economic system of the foreign state in question and the political and economic system of the USSR.

#### **Article 143: Statute of Limitations on Suits**

The statute of limitations on suits is to be determined by the law of the country whose legislation is applied to define the rights and obligations of participants in the legal relationship in question.

Claims to which a statute of limitations on suits does not extend are to be defined according to Soviet law.

#### **Article 144: Legal Capacity and Competence of Foreign Citizens or Persons Without Citizenship**

1. Foreign citizens and persons without citizenship enjoy legal capacity in the USSR on a par with Soviet citizens. Individual exclusions may be established by USSR legislative acts.

The USSR Government may establish reciprocal restrictions on the citizens of those states which place special restrictions on the legal capacity of Soviet citizens.

2. The civil legal competence of a foreign citizen is determined by the laws of the country of which he or she is a citizen.

3. The civil legal competence of a person without citizenship is determined by the laws of the country of which he or she is a permanent resident.

4. The civil legal competence of foreign citizens and persons without citizenship in regard to transactions

performed in the USSR and obligations arising as the result of damages caused in the USSR is determined by Soviet law.

5. Judgment of an individual incompetent or of limited competence in the USSR is to be carried out in accordance with Soviet law.

6. Recognition of a person as missing or declaration of a person legally dead in the USSR is to be carried out in accordance with Soviet law.

#### **Article 145: Civil Legal Capacity of Foreign Corporate Bodies**

1. The civil legal capacity of foreign corporate bodies is determined by the laws of the country where the corporate body was established.

2. During conclusion of transactions a corporate body may not cite restrictions on the powers of its organ and representative which are unknown under the laws of the country in which the organ or representative of a foreign corporate body performs a transaction.

3. Establishment by foreign corporate bodies of representations in the USSR is to be carried out in accordance with procedures established by USSR legislation.

#### **Article 146: The State as Subject of the Law**

In legal relations with participation by the Soviet State which fall under the jurisdiction of the present Fundamentals Soviet law is to be applied, except in cases in which the state has clearly expressed its agreement to the application of foreign law or when the issue is inheritance of real estate located in another state.

#### **Article 147: Protection for Personal Property Rights**

The laws of the country where the action or other circumstances which served as the basis for a demand for protection of rights or the laws of the country in which the application for protection has permanent residence may be applied to personal property rights protected by law, at the choice of the applicant.

#### **Article 148: The Right to Ownership**

1. The right to ownership of a thing is determined by the law of the country where that thing is located.

The right to ownership of transportation and other means subject to state registration is determined based on the law of the country where such registration took place.

2. The origin and termination of the right to ownership of a thing are determined based on the laws of the country where that thing is located at the moment when the action or other circumstance occurred which served as grounds for the origin or termination of the right to ownership, unless otherwise stipulated by USSR legislation.

3. The origin and termination of the right to ownership of a thing which is the object of a transaction is determined based on law at the place where the transaction was made, unless otherwise stipulated by agreement between the parties.

The right to ownership of a thing which is in transit in connection with a foreign trade transaction is determined by the laws of the country from which the thing was shipped, unless otherwise stipulated by an agreement between the parties.

4. The rights of the property owner in the event that material demands are made of the property owner regarding protection for the right to ownership are determined at the property owner's choice by the laws of the country where the thing is located, the laws of the country in whose court the demand was made, or the laws of the country in which the means of transportation or other means was registered.

#### **Article 149: Transactions and Power of Attorney**

1. The form of a transaction is subject to the laws of the place where it was made. However, a transaction made abroad cannot be considered invalid as a result of failure to comply with a form if the requirements of Soviet law were met.

The form of foreign trade transactions made by Soviet organizations and the procedures for signing such transactions are to be determined by USSR legislation regardless of the place where those transactions are made.

The form of transactions involving buildings and other real estate located in the USSR is subject to Soviet law.

2. The form of and time limits on a power of attorney are determined by the laws of the country where the power of attorney was issued. However, a power of attorney may not be considered invalid as a result of failure to comply with a form if the latter meets the requirements of Soviet law.

3. The rights and obligations of parties to a transaction are determined by the laws of the place where the transaction was made, unless otherwise stipulated by an agreement between the parties. The place of performance of the transaction is determined according to Soviet law.

#### **Article 150: Obligations in Regard to a Foreign Trade Contract**

1. The rights and obligations of the parties to a foreign trade contract are determined by the laws of the country selected by the parties upon conclusion of the contract or commencement of the effectiveness of a subsequent agreement.

In the absence of an agreement between the parties regarding appropriate application of law to foreign trade contracts the law of the country where the parties'



operations were established, take place or take place in greater part shall apply. Those parties are as follows:

- 1. the seller, in a sales contract;
- 2. the lessor, in a property rental contract;
- 3. the license issuer, in a licensing contract concerning use by exclusive or analogous rights;
- 4. the storage agent, in a storage contract;
- 5. the principal, in a commission contract;
- 6. the principal, in a power of attorney agreement;
- 7. the carrier, in a shipping contract;
- 8. the expeditor, in a contract on transportation and expediting services;
- 9. the insurer, in an insurance contract;
- 10. the creditor, in a credit agreement;
- 11. the donor, in a donation agreement;
- 12. the guarantor, in a cosigning agreement;
- 13. the mortgage holder, in a mortgage contract.

2. In regard to foreign trade agreements regarding production collaboration, specialization and cooperation or performance of construction and installation work the laws of the country where such activities are carried out or where the results specified by contract are created are applicable unless otherwise stipulated by an agreement between the parties.

3. In regard to foreign trade agreements regarding the establishment of a joint venture the laws of the country within whose territory the joint venture carries out its operations are applicable.

4. In regard to a foreign trade agreement concluded at an auction, as the result of a competition or at an exchange the laws of the country within whose territory the auction, competition or exchange is held are applicable.

5. In regard to the rights and obligations of foreign trade agreements not specified in points 1-4 of the present article the laws of the country within whose territory the party which is entrusted with performance which is of decisive significance in the agreement in question was established, is located or performs the greater part of its operations are applicable.

6. In regard to acceptance of performance under a foreign trade agreement consideration is given to the

laws of the place where such acceptance occurred, unless otherwise stipulated by the contracting parties.

#### **Article 151: Obligations Stemming From Damages**

The rights and obligations of the contracting parties in regard to obligations stemming from damages are to be determined by the laws of the country where the actions or other circumstances which serve as grounds for a claim for damage compensation occurred.

The rights and obligations of the parties in regard to obligations stemming from damages caused abroad, if the parties are Soviet citizens or Soviet organizations, are to be determined by Soviet law.

Foreign law is not applicable if the action or other circumstance serving as grounds for a damage compensation claim is not illegal under Soviet law.

#### **Article 152: Unjustifiable Enrichment**

Unjustifiable enrichment is to be determined by the laws of the country in which the enrichment occurred. If unjustifiable enrichment originates as the result of the passing of the terms upon which property was acquired, this is to be determined by the laws of the country to whom those terms were assigned in accordance with the statutes contained in the present Fundamentals.

#### **Article 153: Inheritance Rights**

1. Relations pertaining to inheritance are to be determined by the laws of the country in which the testametary held permanent residence, unless otherwise stipulated by the present Fundamentals.

2. The competence of a person to compose and amend a will, as well as the form of the will and the act of revocation, are to be determined by the laws of the country in which the testametary held permanent residence at the time of the act. However, a will or the act of revocation of a will cannot be judged invalid as a result of failure to comply with a form, if the latter meets legal requirements at the place where the act was composed or the requirements of Soviet law.

3. Inheritance of structures located in the USSR is regulated by Soviet law. The same law defines the competence of a person to compose or revoke a will as well as the form of the latter, if the bequest is a structure located in the USSR.

#### **Article 154: International Treaties**

If an international treaty to which the USSR is a party establishes other regulations than those contained in Soviet civil legislation then the regulations contained in that international treaty take precedence.



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